

AR62



Astral Media[®]

Annual report 1999

Seizing opportunities

To strengthen
our leadership

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VISION

Astral is one of Canada's leading media companies. We strive to maximize shareholder value by offering entertaining, audience-pleasing programming and quality services through the excellence of our people. We aim to strengthen our significant position in English and French specialty, pay and pay-per-view television. We will forge for ourselves a leadership role in the Québec radio business, and further develop our presence in outdoor advertising, new media, and technical services for the film and television industry.



To strengthen
our leadership

PROFILE

Astral is a leading Canadian media company active in specialty, pay and pay-per-view television, outdoor advertising, new media, technical services and video duplication and marketing.

The Astral Broadcasting Group offers Canadian consumers a popular and entertaining array of television services in English and French. It is the country's largest operator of English and French specialty, pay and pay-per-view television networks involved, on its own or with partners, in 16 licences. The Broadcasting Group plays a unique role as the largest private sector supporter of Canadian feature films through script and concept development, as well as through pre-buys, licence fees and equity investments.

Astral owns 79 per cent of Omni Outdoor, one of Canada's fastest growing and most innovative outdoor advertising companies. Noted for the original and striking shapes and designs of its advertising faces, Omni has some 3,000 faces in Québec, Ontario and British Columbia.

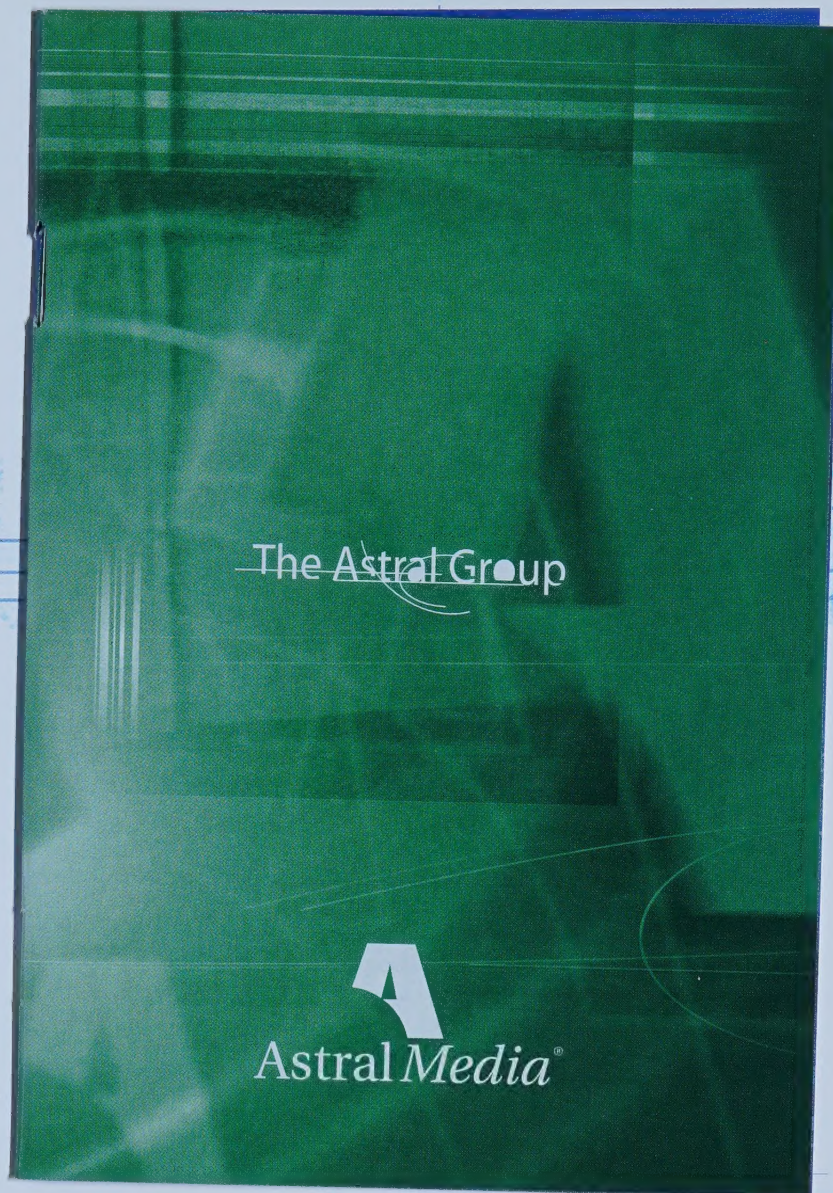
The Company has majority interests in Artech Digital Entertainments, a leading developer of new media games and software, and in Covitec, which offers a complete range of state-of-the-art technical services for the motion picture and television industry. The Astral Video Group plays a key role in the duplication of pre-recorded videocassettes and in the marketing of videos, music and related products.

Astral employs some 1,300 people at its major facilities in Montréal and Toronto and offices across Canada.

The common shares of Astral trade on the Toronto Stock Exchange under the symbols ACM.A/ACM.B.

□ □ Astral is one of Canada's leading
media companies. □ □

Winspear Business Reference Library
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6



□ □ We are active in specialty, pay and pay-per-view television,
outdoor advertising, new media, technical services and
video duplication and marketing. □ □



VISION

Astral Media is one of Canada's leading media companies. We strive to maximize shareholder value by offering entertaining, audience-pleasing programming and quality services through the excellence of our people. We aim to strengthen our significant position in English and French specialty, pay and pay-per-view television. We will further develop our leadership in the Québec radio industry, as well as our presence in Canadian outdoor advertising, new media, and in technical services for the film and television industry.

Astral Media is a leading Canadian media company whose core areas of growth are in specialty, pay and pay-per-view television, radio, outdoor advertising and new media. The Company is also active in technical services and video duplication and marketing.

The Astral Broadcasting Group offers Canadian consumers a popular and entertaining array of television services in English and French, and plays a pivotal role in French-language radio in Québec. It is the country's largest operator of English and French specialty, pay, and pay-per-view television services, involved, on its own or with partners, in 20 network licences. Astral's wholly owned French-language radio operations include an eight-station FM network and three AM stations. The Company is also a 50 per cent owner of Radiomédia, which operates two of Québec's foremost AM stations and its leading radio news and sports networks. The Broadcasting Group plays a unique role as the largest private sector supporter of Canadian

PROFILE

feature films through script and concept development, as well as through pre-buys, licence fees and equity investments.

Astral owns 79 per cent of Omni Outdoor, one of Canada's fastest growing and most innovative outdoor advertising companies. Noted for its original and striking billboard shapes and designs, Omni has some 3,000 faces in Québec, Ontario and British Columbia.

In new media, the Company operates two e-commerce Web sites and has a majority interest in Artech Digital Entertainments, a leading developer of games and software.

Astral also has a controlling interest in Covitec Group, which offers a complete array of state-of-the-art technical services and sound stages for the motion picture and television industry.

The Astral Video Group plays a key role in the home entertainment business as a major duplicator of pre-recorded videocassettes, and in the marketing of videos, music and related products.

Astral employs some 2,000 people at its major facilities in Montréal and Toronto and its operations throughout Québec and the rest of Canada.

The common shares of Astral trade on the Toronto Stock Exchange under the symbols ACM.A/ACM.B.



Astral Broadcasting Group

Astral Television Networks

TMN - THE MOVIE NETWORK

TMN - THE MOVIE NETWORK IS EASTERN CANADA'S PAY-TV NETWORK AIRING ENGLISH-LANGUAGE UNCUT AND COMMERCIAL-FREE MOVIES, EXCLUSIVE SERIES AND COMEDY SPECIALS. WITH ONE 24-HOUR MAIN CHANNEL AND MULTICHANNEL TMN — 4 MULTIPLEX CHANNELS STARTING AT NOON DAILY — TMN OFFERS MOVIE FANS CHOICE. TMN DELIVERS AS MANY FIRST-RUN MAJOR STUDIO MOVIES AS THE THREE FOREMOST U.S. PAY-TV NETWORKS COMBINED, PLUS HBO ORIGINAL MOVIES, EXCLUSIVE SERIES AND SPECIALS. TMN IS DELIVERED ON CABLE, DTH (DIRECT TO HOME SATELLITE) AND MMDS (WIRELESS CABLE).

MOVIEPIX

MOVIEPIX IS A 24-HOUR PAY-TV NETWORK AIRING CLASSIC MOVIES - THE TIMELESS, UNFORGETTABLE MOVIES FROM THE 1920s TO THE 1990s — ALWAYS UNCUT AND COMMERCIAL-FREE. THROUGH INNOVATIVE PROGRAMMING EVENTS, MOVIEPIX GIVES VIEWERS THE OPPORTUNITY TO SEE THESE CLASSICS AGAIN OR FOR THE FIRST TIME. MOVIEPIX IS DELIVERED VIA CABLE, DTH (DIRECT TO HOME SATELLITE) AND MMDS (WIRELESS CABLE) THROUGHOUT EASTERN CANADA.

TMN
The Movie Network™

moviepix
Timeless • Classic • Unforgettable™



Astral Broadcasting Group

VIEWER'S CHOICE

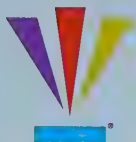
VIEWER'S CHOICE CANADA PAY PER VIEW OFFERS CONVENIENT, COMMERCIAL-FREE IN-HOME VIEWING, 24 HOURS A DAY, OF ENGLISH-LANGUAGE HIT MOVIES, SPORTS EVENTS AND MUSIC AND COMEDY SPECIALS ON AN A LA CARTE BASIS IN EASTERN CANADA. VIEWER'S CHOICE OFFERS 40+ CHANNELS OF NEAR-VIDEO-ON-DEMAND AND IS THE LARGEST ENGLISH-LANGUAGE PAY-PER-VIEW OFFERING IN CANADA. THE NETWORK IS DELIVERED VIA CABLE, DTH (DIRECT TO HOME SATELLITE), AND MMDS (WIRELESS CABLE).

Astral owns 50.1 per cent and is the managing partner of Viewer's Choice.

CANAL INDIGO

CANAL INDIGO, THE FRENCH-LANGUAGE NATIONAL PAY-PER-VIEW NETWORK, OFFERS VIEWERS A WIDE RANGE OF COMMERCIAL-FREE MOVIES, UNIQUE SPORTS EVENTS AND ENTERTAINMENT ON AN A LA CARTE BASIS. THE NETWORK HAS 40+ CHANNELS OF NEAR-VIDEO-ON-DEMAND, GIVING VIEWERS MAXIMUM CHOICE AND CONVENIENCE. CANAL INDIGO IS THE LARGEST FRENCH-LANGUAGE PAY-PER-VIEW OFFERING IN CANADA. THE NETWORK IS DELIVERED VIA CABLE, MMDS (WIRELESS CABLE) IN QUÉBEC, AND BY DTH (DIRECT TO HOME SATELLITE) NATIONALLY.

Viewer's Choice Canada Pay Per View, 50.1 per cent owned by Astral, is the largest shareholder and managing partner of Canal Indigo.



VIEWER'S CHOICE™
P A Y P E R V I E W™

canal
INDIGO



Astral Broadcasting Group

SUPER ÉCRAN

SUPER ÉCRAN IS NORTH AMERICA'S ONLY FRENCH-LANGUAGE PAY-TV NETWORK. AIRING UNCUT AND COMMERCIAL-FREE MOVIES, EXCLUSIVE SERIES AND COMEDY SPECIALS ON ONE 24-HOUR MAIN CHANNEL AND THREE PRIME TIME MULTIPLEX CHANNELS, SUPER ÉCRAN IS CANADA'S LARGEST IN-HOME FRANCOPHONE MOVIE THEATRE. THE NETWORK IS DELIVERED VIA CABLE, MMDS (WIRELESS CABLE) IN QUÉBEC, AND BY DTH (DIRECT TO HOME SATELLITE) NATIONALLY.

THE HAROLD GREENBERG FUND/ LE FONDS HAROLD GREENBERG

THE HAROLD GREENBERG FUND/LE FONDS HAROLD GREENBERG, NAMED FOR ASTRAL'S FOUNDING PRESIDENT, IS A NATIONAL FEATURE FILM FUNDING AGENCY ESTABLISHED BY TMN - THE MOVIE NETWORK AND ASTRAL TO PROMOTE THE CREATION OF QUALITY CANADIAN MOVIES. IT OFFERS A SCRIPT DEVELOPMENT PROGRAM, SPONSORED BY TMN, AND ENGLISH AND FRENCH-LANGUAGE EQUITY INVESTMENT PROGRAMS SPONSORED BY VIEWER'S CHOICE AND CANAL INDIGO RESPECTIVELY.



The Harold Greenberg Fund
Le Fonds Harold Greenberg



Astral Broadcasting Group

Les Chaînes Télé Astral

CANAL FAMILLE

CANAL FAMILLE PROVIDES QUÉBEC YOUNGSTERS WITH AN EXCITING AND EXCLUSIVE VARIETY OF PROGRAMMING. CANAL FAMILLE, WHICH PROMOTES FAMILY VALUES WITH 87 HOURS A WEEK OF INTELLIGENT ENTERTAINMENT FOR 3-TO-14-YEAR-OLDS, IS ONE OF QUÉBEC'S MOST POPULAR SPECIALTY CHANNELS.

CANAL D

CANAL D IS A 24-HOUR SPECIALTY NETWORK DEVOTED TO THE WORLD'S BEST DOCUMENTARIES ON A WIDE RANGE OF SUBJECTS, INCLUDING ADVENTURE, BIOGRAPHY, SCIENCE, TECHNOLOGY, CIVILIZATION, NATURE AND THE ENVIRONMENT. CANAL D ALSO GIVES QUÉBEC VIEWERS A WINDOW ON CANADIAN, AMERICAN AND EUROPEAN FEATURE FILM CLASSICS OF THE 1940S TO 1990S, AS WELL AS CULT TELEVISION SERIES.





Astral Broadcasting Group

Les Chaînes Télé Astral

Z

Z IS A 24-HOUR-A-DAY FRENCH-LANGUAGE SPECIALTY TELEVISION SERVICE ABOUT THE FUTURE, FOR VIEWERS PASSIONATE ABOUT SCIENCE AND TECHNOLOGY, MULTIMEDIA, THE INEXPLICABLE AND THE UNEXPLAINED. LARGE CONCEPTS MADE SIMPLE, **Z** CAPTIVATES AND ALSO ENTERTAINS WITH SCIENCE FICTION AND POPULAR SERIES.

CANAL VIE

CANAL VIE IS A FRENCH-LANGUAGE SPECIALTY TELEVISION NETWORK DEALING WITH EVERYDAY LIFE IN ALL ITS ASPECTS, NUTRITION, EDUCATION, FAMILY AND INTERPERSONAL RELATIONSHIPS. GEARED TO AN ADULT AUDIENCE AND BROADCASTING 24 HOURS A DAY, **CANAL VIE** HAS ADOPTED A DYNAMIC, INTERACTIVE APPROACH THAT FOSTERS DISCUSSIONS AND EXPERT ADVICE.



CANAL VIE



Astral Broadcasting Group

Les Chaînes Télé Astral

SÉRIES+

SÉRIES+, A 24-HOUR SPECIALTY SERVICE FOR FRANCOPHONE AUDIENCES WHICH BEGAN BROADCASTING IN JANUARY, 2000, OFFERS AN EXCLUSIVE SELECTION OF DRAMATIC PROGRAMMING, PRINCIPALLY FROM ENGLAND, AUSTRALIA, GERMANY AND THE UNITED STATES, THAT HAS NEVER BEEN SEEN ON FRENCH-LANGUAGE TELEVISION IN CANADA.

Astral owns 50 per cent and is the managing partner of Séries+.

HISTORIA

HISTORIA, A 24-HOUR FRENCH-LANGUAGE SPECIALTY SERVICE WHICH BEGAN BROADCASTING IN JANUARY, 2000, FEATURES ORIGINAL MAGAZINE AND DOCUMENTARY PROGRAMMING DEDICATED TO HISTORY, AS WELL AS DOCUMENTARIES AND DRAMATIC SERIES AND FILMS FOCUSING ON HISTORICAL EVENTS AND PEOPLE WHO MADE HISTORY.

Astral owns 50 per cent and is the managing partner of Historia.

SÈRIES+



HiSToRiA

FAMILY CHANNEL

FAMILY CHANNEL IS A PREMIUM, 100 PER CENT COMMERCIAL-FREE ENGLISH-LANGUAGE TELEVISION NETWORK OFFERING THE BEST IN FAMILY ENTERTAINMENT. FAMILY CHANNEL IS AVAILABLE IN MOST LARGE MARKETS ON AN EXTENDED BASIC TIER. DEDICATED TO CELEBRATING FAMILY LIFE AND PROVIDING A FUN EXPERIENCE FOR VIEWERS, FAMILY OFFERS A UNIQUE MIX OF MOVIES, SPECIALS AND SERIES, WITH UP TO 60 PER CENT OF ITS PROGRAMMING PROVIDED BY DISNEY.

Astral owns 50 per cent of Family Channel.

TELETOON

TELETOON, A SPECIALTY SERVICE OFFERING ANIMATION PROGRAMMING FOR YOUNG AND OLD Alike, OPERATES TWO NETWORKS, ONE IN ENGLISH, THE OTHER IN FRENCH. ON THE AIR 24 HOURS A DAY, IT FEATURES ALL FORMS OF ANIMATION, INCLUDING CLASSIC CARTOONS, STATE-OF-THE-ART ANIMATION, ORIGINAL CANADIAN TITLES AND THE BEST THINGS FROM AROUND THE WORLD.

Family Channel, 50 per cent owned by Astral, is the largest shareholder and managing partner of TELETOON.

THE COMEDY NETWORK

THE COMEDY NETWORK IS A NATIONAL SPECIALTY CHANNEL THAT TARGETS THE CANADIAN FUNNY BONE THROUGH A MIX OF STAND-UP COMICS AND AWARD-WINNING COMEDY SERIES.

Astral has a 15 per cent interest in The Comedy Network.





Astral Broadcasting Group

MUSIQUEPLUS

MUSIQUEPLUS, A FRENCH-LANGUAGE SPECIALTY NETWORK, IS AT THE HEART OF THE VIBRANT QUÉBEC POPULAR CULTURE. SERVING A 12 TO 34-YEAR-OLD DEMOGRAPHIC 24 HOURS A DAY, IT OFFERS VIEWERS THE LATEST IN VIDEOCLIPS, MUSIC, CONCERTS, AND ENTERTAINMENT INDUSTRY NEWS.

Astral owns 50 per cent of MusiquePlus.

MUSIMAX

MUSIMAX, A FRENCH-LANGUAGE SPECIALTY CHANNEL AIMED AT AUDIENCES 34 AND OVER, OFFERS VIEWERS A WIDE RANGE OF VIDEOCLIPS AND CONCERTS OF POPULAR AND CONTEMPORARY MUSIC. IT OPERATES 24 HOURS A DAY.

Astral owns 50 per cent of MusiMax.





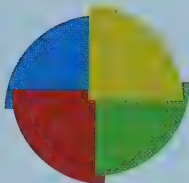
Astral Broadcasting Group

TVPLUS MEDIA

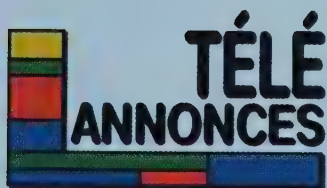
TVPLUS MEDIA WAS ESTABLISHED IN 1998 TO SELL ADVERTISING FOR SPECIALTY TELEVISION SERVICES IN THE QUÉBEC MARKET. IT REPRESENTS THOSE SERVICES IN WHICH ASTRAL IS INVOLVED, CANAL D, HISTORIA, SERIES+, AND TELETOON, AS WELL AS CANAL VIE, Z, LIFE NETWORK, SHOWCASE, HISTORY TELEVISION AND HGTV (HOME AND GARDEN).

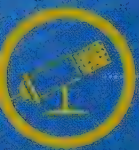
TELE-ANNONCES

TELE-ANNONCES IS A TELEVISED CLASSIFIED AD SERVICE DISTRIBUTED BY VIDÉOTRON CABLE TO MORE THAN 1.2 MILLION HOMES A WEEK.



TVPLUS
m é d i a





Astral Broadcasting Group

Astral Radio Group

RADIO ÉNERGIE — FM

RADIO ÉNERGIE IS THE LARGEST PRIVATE FM RADIO NETWORK IN THE COUNTRY, WITH STATIONS IN EIGHT QUÉBEC CENTRES — MONTRÉAL, QUÉBEC, GATINEAU/HULL, SHERBROOKE/MAGOG, TROIS-RIVIÈRES, ROUYN-NORANDA, VAL-D'OR AND CHICOUTIMI/JONQUIÈRE. A DISTINCTIVE PART OF EACH COMMUNITY IT SERVES, RÉSEAU ÉNERGIE BROADCASTS 20 MILLION HOURS A WEEK TO MORE THAN 1.8 MILLION LISTENERS, MOST OF THEM BETWEEN THE AGES OF 18-34.



CKMF-94.3 Montréal

CKTF-104.1 Gatineau/Hull

CIMO-106.1 Sherbrooke/Magog

CJMM-99.1 Rouyn-Noranda

CHIK-98.9 Québec

CIGB-102.3 Trois-Rivières

CJAB-94.5 Chicoutimi/Jonquière

CJMV-102.7 Val-d'Or

AM RADIO DIVISION

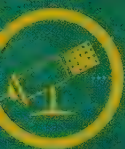
THERE ARE THREE AM STATIONS IN THE DIVISION SERVING OTTAWA/HULL, CHICOUTIMI/JONQUIÈRE AND SHAWINIGAN. ALL ARE AFFILIATED WITH THE RADIOMÉDIA NETWORK.

AM RADIO

CJRC-1150..... Ottawa/Hull

CKRS-590 Chicoutimi/Jonquière

CKSM-1220 Shawinigan



Astral Broadcasting Group

Astral Radio Group

RADIOMÉDIA

RADIOMÉDIA OPERATES TWO OF QUÉBEC'S LEADING AM STATIONS: MONTRÉAL'S CKAC AND CHRC IN QUÉBEC. HIGHLY VISIBLE AND ACTIVE WITHIN THEIR COMMUNITIES, THE STATIONS ARE MAJOR LISTENING POSTS FOR NEWS, PUBLIC OPINION AND CURRENT AFFAIRS. RADIOMÉDIA ALSO OPERATES THE RADIOMÉDIA NEWS AND SPORTS NETWORKS, AND OWNS RADIO BROADCAST RIGHTS TO MONTRÉAL CANADIENS AND OTTAWA SENATORS HOCKEY. IT ALSO OWNS RADIO+, A RADIO AD SALES AGENCY.

Astral owns 50 per cent of Radiomédia.



CKAC-730 Montréal

CHRC-80 Québec

radio +

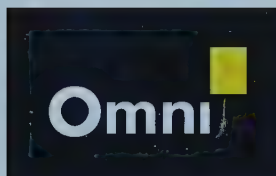


Outdoor Advertising

OMNI OUTDOOR AND COMPANY

OMNI OUTDOOR AND COMPANY is one of Canada's fastest growing and most innovative outdoor advertising companies. NOTED FOR THE ORIGINAL AND STRONG SHAPES AND DESIGNS OF ITS ADVERTISING FACES, OMNI HAS SOME 3,000 FACES IN QUÉBEC, ONTARIO AND BRITISH COLUMBIA. OMNI HAS DEVELOPED AN EXPERTISE IN URBAN FURNITURE, WITH A NETWORK OF 100 OMNICOLUMNS IN MONTREAL AND AN EXCLUSIVE AGREEMENT FOR ADVERTISING IN THE MONTREAL AIRPORTS. BUILDING ON THIS KNOW-HOW TO EXPAND ITS MARKETS INTO THE UNITED STATES, THE COMPANY HAS ENTERED INTO AN AGREEMENT WITH THE CITY OF CLEVELAND, AND IS IN DISCUSSIONS WITH OTHER MUNICIPALITIES.

Call (514) 399-1000 or (416) 491-0000.





New Media

ARTECH

ARTECH STUDIOS IS ONE OF CANADA'S LEADING DEVELOPERS OF NEW MEDIA GAMES AND SOFTWARE, WORKING WITH SUCH INDUSTRY LEADERS AS HASBRO, SONY PICTURES AND LUCAS FILMS. MANY OF ITS TITLES HAVE BEEN BEST SELLERS AND HAVE WON NUMEROUS AWARDS. ITS SPORTS STATISTICS SOFTWARE IS USED BY THE FOX NETWORK FOR THE SUPER BOWL, WORLD SERIES AND THE NHL ALL STAR GAME, AND HAS ALSO BEEN LICENSED BY TSN AND THE CBC.

Astral owns 51 per cent of ARTECH.



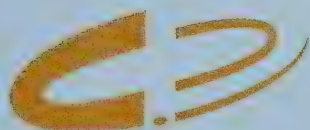


Technical Services

COVITEC

COVITEC, THE TECHNICAL SERVICES GROUP OF ASTRAAL, OFFERS A COMPLETE ARRAY OF STATE-OF-THE-ART FILM AND VIDEO POST-PRODUCTION SERVICES FOR THE MOTION PICTURE AND TELEVISION INDUSTRY, WITH FACILITIES IN MONTREAL, OTTAWA, AND QUEBEC. COVITEC OPERATES SEVEN SOUND STAGES IN MONTREAL THAT HOST MORE THAN 100 PRODUCTIONS A YEAR — FROM SITCOMS TO COMMERCIALS. IT ALSO OFFERS DUBBING, VIDEO REPRODUCTION, FILM LAB, FILM TRANSFER, DIGITAL EDITING, SPECIAL EFFECTS, COLOUR CORRECTION, RELEASE PRINTING, SOUND RECORDING, SUBTITLING, AND 2D ANIMATION AND IS THE ONLY POST PRODUCER IN QUEBEC TO OFFER SERVICES FOR HIGH DEFINITION VIDEO. COVITEC ALSO OWNS A FILM EQUIPMENT RENTAL FACILITY IN OTTAWA.

Astral owns 63.2 per cent of Covitec Group Inc., a publicly traded company.



COVITECGROUP



ASTRAL VIDEO GROUP

THE ASTRAL VIDEO GROUP IS A LEADING DUPLICATOR AND MARKETER OF VIDEOS, MUSIC AND RELATED PRODUCTS.

THE ASTRALTECH VIDEO DUPLICATION CENTRE IS ONE OF THE LARGEST IN CANADA, WITH A CAPACITY OF MORE THAN 15,000,000 VIDEOCASSETTES ANNUALLY. IT HAS A LONG-TERM RELATIONSHIP WITH BUENA VISTA HOME ENTERTAINMENT FOR THE EXCLUSIVE DUPLICATION OF DISNEY VIDEOCASSETTES FOR THE CANADIAN MARKET. IT ALSO WORKS WITH MANY OTHER MAJOR CANADIAN AND AMERICAN DISTRIBUTORS.

ASTRAL HOME ENTERTAINMENT MARKETS VIDEOS, MUSIC AND RELATED PRODUCTS TO THE RENTAL AND SELL-THROUGH RETAIL MARKETS. IT SERVES OVER 4,000 RETAIL CUSTOMERS ACROSS CANADA. AHE HAS BRANCHES IN KEY CITIES ACROSS THE COUNTRY AND DISTRIBUTION CENTRES IN MONTRÉAL, TORONTO AND CALGARY.

ASTRAL *Tech*[®]



ASTRAL MEDIA

Executive Offices

2100, rue Sainte-Catherine O.

Bureau 1000

Montréal (Québec) H3H 2T3

Tél.: (514) 939-5000

Fax: (514) 939-1515

www.astral.com

ASTRA MÉDIA (Centre de Montréal)

Bureau 1000

2110, rue Sainte-Catherine O.

Bureau 1000

Montréal (Québec) H3H 2T3

Tél.: (514) 939-5000

Fax: (514) 939-1515

ASTRA MÉDIA (Centre de Québec)

Bureau 1000

100, rue Saint-Jacques

Québec (Québec) G1R 4K1

Tél.: (418) 693-1000

Fax: (418) 693-1000

Tél.: (418) 693-1000

Fax: (418) 693-1000

Tél.: (418) 693-1000

Fax: (418) 693-1000

Tél.: (418) 693-1000

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Tél.: (418) 693-1000

Fax: (418) 693-1000

The Harold Greenberg Fund/

Le Fonds Harold Greenberg

Tel.: (416) 956-5431

Fax: (416) 956-2087

Tel.: (514) 939-5094

Fax: (514) 939-1515

LES CHAINES TELE ASTRAL

2100, rue Sainte-Catherine O., Bureau 1000

Montréal (Québec) H3H 2T3

Tel.: (514) 939-3150

Fax: (514) 939-3151

Canal Famille

Canal O

Historia

Series+

Z

Canal Vie

www.servicevie.com

The Family Channel Inc.

Tel.: (416) 956-2030

Fax: (416) 956-2035

www.familychannel.ca

TELETOON

Tel.: (416) 956-2060

Fax: (416) 956-2070

www.teletoon.com

BCE Place

181 Bay Street

Box 787, Suite 200

Toronto, Ontario M5J 2T3

2100, rue Sainte-Catherine O.

Bureau 1000

Montréal (Québec) H3H 2T3

Tel.: (514) 939-5016

Fax: (514) 939-1515

MusiquePlus

MusiMax

355, rue Sainte-Catherine O.

Montréal (Québec) H3B 1A5

Tel.: (514) 284-7587

Fax: (514) 284-1889

www.musiqueplus.ca

Tele-Annonces

1200, rue Papineau, bureau 260
Montréal (Québec) H2K 4R5
Tel.: (514) 526-1110
Fax.: (514) 526-1354
www.teleannonces.com

TVPLUS MEDIA

1200, rue Papineau, bureau 401
Montréal (Québec) H2K 4R5
Tel.: (514) 529-3290
Fax.: (514) 529-1244

ASTRAL RADIO GROUP

EXECUTIVE OFFICES

2100, rue Sainte-Catherine O., bureau 1000
Montréal (Québec) H3H 2T3
Tel.: (514) 939-5000
Fax.: (514) 939-1515

FM — Radio Énergie

1717, boul. René-Lévesque E.
Bureau 120
Montréal (Québec) H2L 4T9
Tel.: (514) 529-3229
Fax.: (514) 529-9308
www.radioenergie.com

AM Division

2100, rue Sainte-Catherine O., bureau 1000
Montréal (Québec) H3H 2T3
Tel.: (514) 939-5000
Fax.: (514) 939-1515

Radiomédia Inc.

1411, rue Peel, bureau 300
Montréal (Québec) H3A 3L5
Tel.: (514) 845-5151
Fax.: (514) 845-2229
www.ckac.com

Radio Plus

1717, boul. René-Lévesque E.
Bureau 60
Montréal (Québec) H2L 4E8
Tel.: (514) 529-3223
Fax.: (514) 529-3232

OUTDOOR ADVERTISING

Omni Outdoor and Company

1717, boul. René-Lévesque E.
Bureau 460
Montréal (Québec) H2L 4T3
Tel.: (514) 529-6664
Fax.: (514) 529-0644

TECHNICAL SERVICES GROUP

Covitec Group Inc.

Executive Offices
4, Westmount Square
Bureau 150
Westmount (Québec) H3Z 2S6
Tel.: (514) 933-2200
Fax.: (514) 933-5693
www.covitec.com

ASTRAL VIDEO GROUP

AstralTech Video Duplication Centre

5555, rue Royalmount
Ville Mont-Royal (Québec)
H4P 1J3
Tel.: (514) 737-2777
Fax.: (514) 737-1427

Astral Hume Entertainment

889, Montée de Liesse
Ville Saint-Laurent (Québec)
H4T 1P5
Tel.: (514) 734-2500
Fax.: (514) 734-2501

44-46 Dufflaw Road
North York, Ontario M6A 2W1
Tel.: (416) 785-5580
Fax.: (416) 785-1219

NEW MEDIA

Artech Digital Entertainments Inc.

6 Hamilton Avenue
Suite 250
Ottawa, Ontario K1Y 4R1
Tel.: (613) 728-4880
Fax.: (613) 728-4523

At the annual meeting in February, shareholders will be asked to change the Company's name to Astral Media Inc. The new name reflects Astral's transformation into a media company whose core areas of growth will be in specialty, pay and pay-per-view television, radio, outdoor advertising and new media. To give form to our new name, we have designed a bold and distinctive new corporate identity. Developed by Carré Rouge Communication and designer Gilles Brault, the new identity captures Astral's strong position as one of Canada's leading media companies.

At the centre of the new logo is the letter symbol “**A**”, which stands for Astral, a name that has come to be associated with a high level of quality. It conveys strength and confidence. The opening in the letter symbol represents opportunity; it propels the letter symbol forward and upwards. It also encompasses the Astral name—the master brand under which all of the Company's networks and services come together. The word media, set in an italicized typestyle, suggests both determination and forward movement—a graphic representation of Astral's focus on its core businesses.



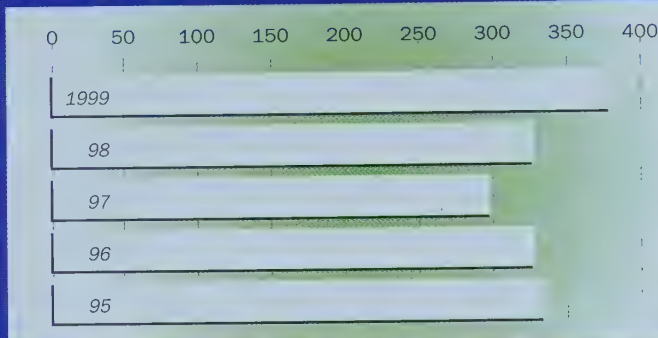
(in thousands except per-share data)

	1999	1998	1997	1996	1995 ⁽¹⁾
Revenues	\$378,205	\$326,360	\$297,199	\$325,695	\$332,734
Amortization of broadcast licences	3,635	3,270	2,182	2,182	2,176
Earnings from continuing operations	25,671	22,558	20,078	18,484	21,973
Net earnings from continuing operations	14,924	12,626	10,163	9,560	11,376
Net earnings (loss)	14,924	12,626	10,575	(14,594)	2,090
EBITDA	45,345	38,200	33,924	30,624	32,780
Cash flow from continuing operations	30,565	28,044	23,535	22,054	22,196
Working capital	(13,579)	(7,135)	25,755	11,874	7,841
Long-term debt ⁽²⁾	132,153	24,010	2,764	3,895	4,386
Shareholders' equity	299,662	168,537	153,990	145,549	163,935
Total assets	570,028	307,848	254,416	264,553	287,258

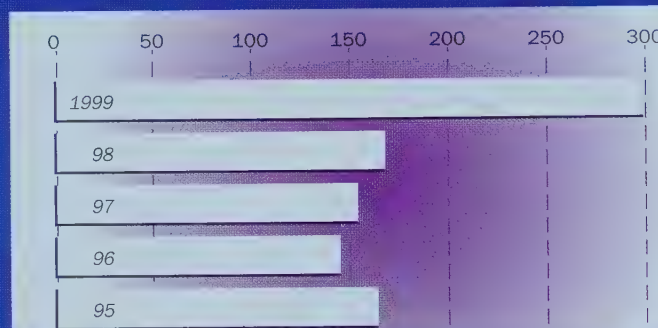
PER SHARE DATA

Net earnings from continuing operations - basic	1.00	0.92	0.77	0.73	0.87
Net earnings (loss) - basic	1.00	0.92	0.80	(1.11)	0.16
Cash flow from continuing operations - basic	2.06	2.05	1.78	1.68	1.70
Dividend	0.30	0.30	0.30	0.30	0.30
Book value	13.58	12.04	11.44	10.96	12.36
AVERAGE NUMBER OF SHARES OUTSTANDING	14,857	13,649	13,235	13,111	13,076

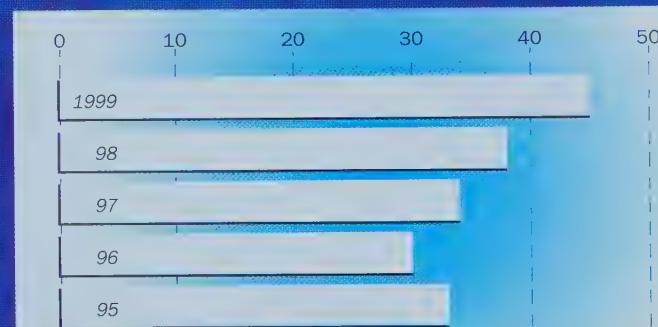
(IN MILLIONS OF DOLLARS)



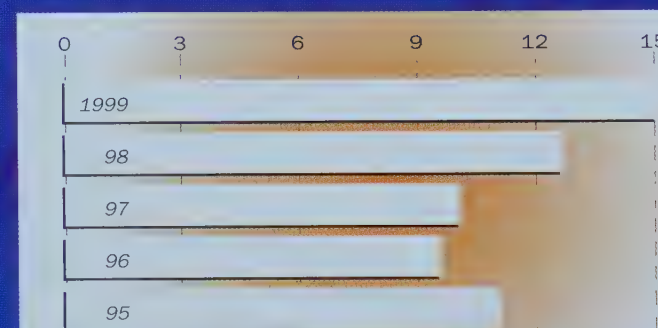
Revenues



Shareholders' equity



EBITDA



Net earnings from continuing operations

(1) Revenues for fiscal 1995 have been restated to reflect continuing operations.

(2) Includes current portion.



Message

to Shareholders

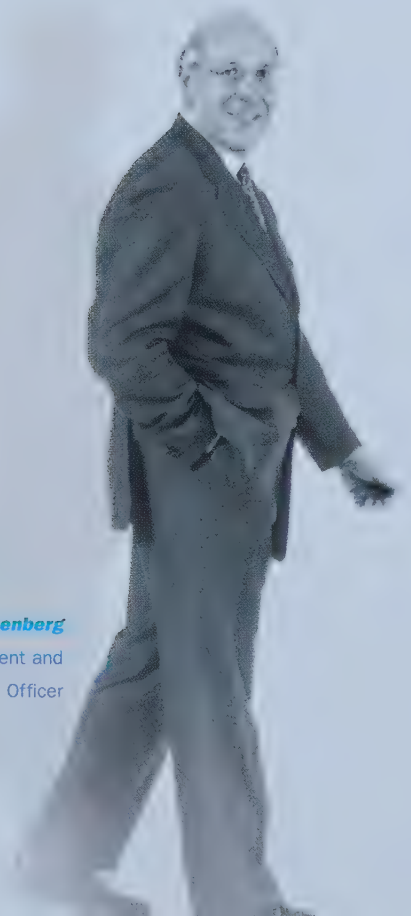
Fiscal 1999 was the *most*
significant year in
Astral's history!

It was a year of transformation, a year in which Astral evolved into one of Canada's major media companies. The pivotal step was the acquisition of Radiomutuel, a communications company with a commanding presence in specialty television, radio and outdoor advertising in Québec. Although the transaction was finalized in July, the acquisition of the television and radio assets of Radiomutuel is subject to the approval of the Canadian Radio-television and Telecommunications Commission (CRTC). We expect the CRTC will render its decision within the next few weeks.

The approval of the transaction would enlarge the scope of our media operations, placing Astral in the forefront of the growing and interrelated fields of specialty television, radio and outdoor advertising, which, along with pay and pay-per-view television and new media, will be our core areas of growth. As well, the Company continues to be active in technical services and video duplication and marketing.



André Bureau, O.C.
Chairman of the Board



Ian Greenberg
President and
Chief Executive Officer



While it was a year of transformation, it was also a year in which we maintained our healthy financial performance and saw net earnings increase 18 per cent to \$14.9 million or \$1.00 per share.

With all that has been accomplished, 2000 marks not only the start of a new millennium, but also a new era for Astral. It is, therefore, an opportune time to rename the Company to better reflect our core business interests. We are proposing that, at the annual meeting in February, shareholders approve changing the Company's name to Astral Media Inc. The new name emphasizes a focused attention on our media assets, while still retaining a link with Astral's past. To give form to the change, we are introducing a bold, distinctive and forward-looking corporate identity, which is featured on the cover and above.

ROBUST GROWTH

While we look forward with genuine enthusiasm to the future and our expanded role in media, we look back with undisguised pride at the performance of the Astral Broadcasting Group during Fiscal 1999. The robust growth of the Company's television services propelled the Broadcasting Group to a 47 per cent increase in profits, and was the main reason the Company achieved record net earnings for the year.

Several factors contributed to the Broadcasting Group's growth. Chief were the quality and popularity of the programming on all services; the inclusion of TELETOON's results for a full year; the fact that Canal D now carries advertising; the migration of MOVIEPIX onto a tier in

some cable systems, giving it over 600,000 subscribers who receive the service either on a discretionary basis or as part of the third specialty tier; and the growth of pay television.

The growth of our pay networks is mainly attributable to the burgeoning direct-to-home (DTH) delivery systems. On the DTH platform, more than 60 per cent of all subscribers take TMN—The Movie Network or Super Écran, compared with cable penetration rates closer to 10 per cent.

The DTH factor helped TMN's subscriber base grow from 364,000 in October 1998 to 455,000 a year later, a 25 per cent increase. Super Écran recorded an 11 per cent subscriber increase in the same period, climbing from 238,000 to its highest level ever, 265,000. We expect these networks will gain even wider audiences as the cable companies quicken the pace of their roll out of digital set-top boxes, and the DTH and wireless cable (MMDS) delivery systems intensify their marketing efforts.

The importance of the Broadcasting Group's contributions to the growth of your Company underscores the appropriateness of our clear strategic focus on growing the media side of Astral's business.

Revenues from operations grew to \$375.2 million in Fiscal 1999, an increase of 16 per cent from \$324.4 million a year earlier. EBITDA of \$45.3 million was up 19 per cent from \$38.2 million, while cash flow continued strong at \$30.6 million, compared with \$28 million last year.

Net earnings increased 18 per cent to a record \$14.9 million or \$1.00 per share, compared with \$12.6 million or 92 cents per share in 1998. There was an average of 14.9 million shares outstanding for the year, compared with 13.6 million

the previous year as a result of the stock issue last July to partially finance the Radiomutuel acquisition. Earnings before income taxes totalled \$25.7 million, 14 per cent higher than \$22.6 million a year earlier.

Although we have owned 100 per cent of Radiomutuel since July 7, the Company accounts for its investment in Radiomutuel on an equity accounting basis because the CRTC has not yet rendered its decision on the transaction.

A PERFECT COMPLEMENT

In an eventful year, the highlight was the acquisition of Radiomutuel. With a favourable decision by the CRTC, Astral will take operational control of Radiomutuel's television and radio properties. Those assets, along with Radiomutuel's outdoor advertising business, Omni Outdoor and Company, which we already operate because it is not a regulated industry, are a perfect complement to our already prominent presence in specialty and pay television.

Specialty television, with its well-defined niche programming, has become the fastest growing sector in broadcasting, gaining ever-larger audiences and, in turn, spurring rapid growth in advertising sales. The addition of the four channels in which Radiomutuel is involved and the two new French-language channels of which we are the managing partner, *Historia* and *Séries+*, would bolster our position as the country's leading operator of French and English specialty, pay and pay-per-view television. On our own or with partners, we would be involved in 20 licences, 10 of them in specialty television.

The Radiomutuel channels are dual revenue networks, generating income from subscription fees and advertising. While over 30 per cent of the revenues of the specialty television industry comes from advertising, Astral did not benefit to that extent because, until only very recently, our networks did not carry advertising. With the Radiomutuel channels and our dual revenue services, we expect that advertising will play an increasingly important role in growing specialty television revenues. Our strong position in Québec will assure that we receive a healthy share of French-language specialty television advertising spending, which has increased 65 per cent over the last three years.

While the synergies between our television operations are self-evident, the addition of Radiomutuel's radio and outdoor advertising assets, areas where we previously had no involvement, would give us significant positions in three of the fastest growing advertising media. We will use this leverage to create attractive cross-media packages for advertisers in the Québec market.

In radio, Astral would become the largest owner of radio stations in Québec. Your Company would own the biggest private FM network in Canada, the eight-station Radio Énergie network, which reaches some 1.8 million listeners. As well, we would own three AM stations in Québec, and would be a 50 per cent partner in Radiomédia, which operates two of the province's most important AM stations and its leading news and sports networks.

"2000 marks not only the start of a new millenium, but also a new era for Astral."

Radio is a very powerful medium, especially in Québec, with adults 18 and over tuning in an average of 24.4 hours a week, compared with 22.9 in Canada overall. As well, radio advertising revenues have been on a steady upswing in Canada over the past seven years and are expected to top \$900 million in 1999, with over \$175 million of that in Québec.

Outdoor advertising, which generates strong cash flow, is an attractive feature of our new business mix. Our Omni subsidiary is one of Canada's fastest growing and most innovative outdoor advertising companies. Noted for the original and striking shapes and designs of its advertising faces, Omni, which started with 40 faces in 1988, now has some 3,000 faces in Québec, Ontario and British Columbia.

OTHER HIGHLIGHTS

Our Broadcasting Group got a further boost in the spring when Astral was awarded the licences for the French-language specialty channels Historia and Séries+. We are 50 per cent owners and the managing partners of these new services, which will go on-air in January 2000. Both channels will carry advertising and will broadcast 24 hours a day.

As the number of our French-language networks would double with the acquisition of the Radiomutuel licences and our two new channels, it became obvious that we needed a new broadcast centre to handle the Montréal-based services of Les Chaînes Télé Astral and Astral Television Networks. The state-of-the-art, cost efficient origination centre, located in downtown Montréal, will begin operations in January with the launch of the new services. The other networks will switch over gradually to the new centre.

Parallel to the Radiomutuel acquisition was the successful completion of a \$120 million public offering to partially finance the deal. The rapid response to the offering reflected the financial community's confidence in Astral's transformation into a media company.

The financial community has a greater degree of awareness of today's Astral. We are now being covered by an increasing number of analysts, and the Toronto Stock Exchange includes Astral in both the TSE 300 Composite Index and the TSE 200 Index.

A significant event outside the broadcasting area was the merger in February of our technical services division, AstralTech, with Covitec Group to create the largest Canadian film and television technical services company. As a result, Astral now owns a controlling 63.2 per cent interest in Covitec Group, a public company listed on the TSE. The AstralTech Video Duplication Centre was not included in the transaction.

The merger reflects the consolidation that is taking place throughout the industry, and is in line with our often stated policy of the necessity of being a leader in all fields in which we operate. The integration of both companies is proceeding on schedule, and the benefits from the streamlining of their operations are expected to make a positive contribution to Astral's earnings in Fiscal 2000.

The Astral Video Group is operating in a challenging environment as a result of profound changes affecting both the videocassette duplication and distribution markets. We are actively exploring suitable solutions in order to achieve satisfactory financial results.

Our New Media software development subsidiary, Artech Studios, had another great year, adding two more million sellers to its trophy collection with games based on the popular Sony Pictures television game shows Wheel of Fortune® and Jeopardy® developed under its long-term agreement with Hasbro.

Our commitment to grow in New Media was underlined by the launch of our first e-commerce Internet web sites, teleannonces.com, a site promoted by the Télé-Annonces televised classified ad service, and servicevie.com, a woman's destination complementing Canal Vie. These web sites related to Radiomutuel services are not subject to regulatory approval.

LOOKING AHEAD

If, as we said at the outset, Fiscal 1999 was the most significant year in Astral's history, the future looks even more exciting. The smooth integration of Radiomutuel's operations, following CRTC approval, and the completion of the Covitec/AstralTech integration, top our agenda in the current fiscal year. However, this will not prevent us from seeking further opportunities to expand through internal growth, applications for new licences or acquisitions.

While we are constantly working to further increase our leading position in specialty and pay television, we are cognizant of ever-changing consumer expectations. We will satisfy these expectations by improving the quality of our programming, and by leveraging existing businesses into the new media environment.

We will work during the current year to expand our pay-TV subscriber base and pay-per-view buy rates in tandem with the continued

growth of DTH and the rollout of digital cable. To this end, Super Écran will expand to four channels in the spring, while TMN will launch a fifth channel this month.

As well, our pay-per-view services are now truly Near Video on Demand systems with both Viewer's Choice and Canal Indigo each offering more than 40 channels. Pay-per-view success is based on the number of channels, and 40 channels translate into 10 different movies, each featured every 30 minutes, providing better accessibility to our offering. We expect this will give us buy rates in the range of 75 -100 per cent, which means each household will order almost one event per month.

The CRTC is expected to call for submissions for new English-language specialty services and we intend to apply for several new digital specialty networks.

EMPLOYEES ARE KEY

Our senior managers and all employees are key to the success your Company has enjoyed over the past few years. They have worked diligently and loyally with management to build Astral. The senior managers have played central roles in planning and carrying out the strategic plan that has led to the evolution of the corporation. They have been determined in helping to grow the Company, and in guiding their business units. Our thanks go out to all employees for making this Astral's best year ever.

In this vein, we warmly welcome all Covitec employees, and look forward to welcoming all Radiomutuel personnel into the Astral family. They have made solid contributions to their respective companies in the past, and we know we can count on their continued commitment and dedication.

We want to also thank our Directors for their wise counsel and participation in the evolution of the Company, and our shareholders, partners, customers and suppliers for their continuing support, co-operation and confidence.

As you have seen, your Company has core businesses that are on a firm growth path. We are passionate and committed to building on this solid foundation in order to ensure that Astral and its shareholders benefit from the continuing evolution and growth of the media business.

December 16, 1999



A handwritten signature in blue ink, reading "André Bureau".

André Bureau, O.C.
Chairman of the Board
Astral Communications Inc.



A handwritten signature in blue ink, reading "Ian Greenberg".

Ian Greenberg
President and Chief Executive Officer
Astral Communications Inc.

We live in a fast-paced environment. Daily announcements promising new technologies characterize our rapidly changing world. The Astral Broadcasting Group (ABG) is approaching the next century with a clear focus and fervent energy, propelled by its strong base and poised to continue to capitalize on the opportunities a digital universe will offer.

Over the past year, the broadcasting team surpassed expectations. Our group of premium quality services grew both in terms of audience satisfaction and number of subscribers. Our ability to deliver popular entertainment to Canadians is evolving to include more specialty networks, more multiplex channels of pay television and many more channels of pay-per-view. The acquisition of the television and radio assets of Radiomutuel is pending before the CRTC and a decision is expected soon. The sum of these parts totals an exciting media company with experienced management teams and very attractive assets.

The strong and clear commitment of the Government of Canada, supported by the Québec Government, to maintain the ability to preserve, develop and implement cultural policy in the audiovisual and new media sectors for the purpose of strengthening cultural diversity has provided us with reassurance in the face of the new round of negotiations at the World Trade Organization.

In the coming year, we will pursue our strategic plan by maximizing internal growth through all distribution platforms, by applying for and launching new specialty services and by acquiring existing specialty TV and radio operations. We will also broaden the scope of the Company's broadcasting properties using new media technologies.

Outlook

The Astral Broadcasting Group is Canada's leading provider of English and French specialty, pay and pay-per-view television involved, on its own or with partners, in 16 licences. With the Radiomutuel acquisition, we would add another four French-language specialty channels.

The Astral Broadcasting Group is ushering in the new century with Canada's top portfolio of pay and specialty television assets and some of the most popular networks on the dial.



ORGANIZATIONAL CHANGES

This past year's activities highlighted the need for a new corporate structure to support our growth. As a result, we reorganized Astral's broadcasting properties into two operating units: Les Chaînes Télé Astral and Astral Television Networks, and created a sales and marketing division of the Astral Broadcasting Group.

This new structure is specifically geared to maximizing both the operating and programming synergies of our pay-TV and specialty channels. It also leverages our unique capacity to operate networks successfully in the French- and English-language markets. The new sales and marketing division promotes the sale of advertising on our French specialty networks, as well as on other networks which it represents.

Les Chaînes Télé Astral operates four French-language specialty networks: Canal Famille and Canal D, and the new Historia and Séries+. The two new networks are joint ventures with Alliance Atlantis. We also plan to operate two of the Radiomutuel services, Canal Vie and the new Z, under this unit, if their acquisition is approved by the CRTC.



*"We are
bullish about
the potential
growth of our
pay and
pay-per-view
networks."*



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Under the Astral Television Networks umbrella, we have grouped our five movie-based television networks, three English-language, and two French-language. In Astral Television Networks we have an organization, with locations in Montréal and Toronto, which straddles two language markets.

Astral Television Networks is Canada's largest pay and pay-per-view provider. It includes TMN - The Movie Network, MOVIEPIX, Super Écran, Viewer's Choice Canada Pay-Per-View (VCC), and Canal Indigo Télé-à-la-carte.

In ABG's sales and marketing division, we added research, marketing and client service expertise to our existing rep house, TVPLUS Média, to better serve specialty services.

FAMILY CHANNEL, TELETOON, COMEDY, MUSIQUEPLUS AND MUSIMAX

Apart from this structure, but still under the Astral Broadcasting Group, we hold interests in Family Channel, which is a 50/50 partnership with WIC, TELETOON, in which we are partners through Family Channel's 40 per cent holding, and The Comedy Network, in which we have a 14.95 per cent stake. Pending the approval of the CRTC, our interest in MusiquePlus and MusiMax, both 50-50 ventures with CHUM Ltd., will also be held in ABG.



Lisa de Wilde
President and
Chief Executive Officer
Astral Television Networks

Broadcasting

Astral Television Networks

Astral Television Networks was a stellar performer in 1999. Both TMN - The Movie Network and Super Écran set subscriber growth records, increasing their combined subscriber base by 19 per cent. The driving force was the digital platforms of DTH distributors Star Choice and Bell ExpressVu, where penetration levels are over 60 per cent compared with less than 10 per cent on analogue cable. DTH is a perfect example of how the difference in delivery technology, as well as the packaging ("all-in-packages" versus "à la carte") impact the demand for our product. On DTH, over 90 per cent of TMN and Super Écran customers subscribed to "all-in-packages", which bundle basic, specialty and pay services into one package, without a separate box cost for premium services.



James Leder

Executive
Vice-President
Programming,
Marketing and
Sales
TMN-The Movie
Network,
MOVIEPIX &
Viewer's Choice
Canada

Robert Lapointe

Vice-President
Programming
Super Écran,
TMN-The Movie
Network &
MOVIEPIX

Joe Tedesco

Senior
Vice-President
Finance, M.I.S.
and Business
Affairs
Astral Television
Networks

Rene Bourdages

Executive
Vice-President
Programming,
Marketing and
Sales
Canal Indigo &
Super Écran

Nancy Rouleau

Vice-President
Programming
Séries+

VIEPIX, our classic pay-TV network, has grown to 100,000 subscribers by moving onto a specialty tier in cable systems. This effort has proven the popularity of our commercial-free classic movie service, and its success has contributed to a 10 per cent increase in the penetration of the third tier in these systems.

Looking forward, we are bullish about the potential of our pay and pay-per-view (PPV) networks. The digital box rollout on cable is now beginning to become significant as cable responds to DTH competition and seeks to increase revenues per subscriber. The U.S. experience with the rollout of digital cable boxes has shown that premium pay-TV networks are the first stage in cable's digital transition. In the near term, Astral Television Networks is committed to support the rollout of digital boxes with more channels of multiplexed pay-TV and more PPV channels, including our new Video On Demand (NVOD). For example, TMN launched another multiplex channel this December, bringing the total to five channels. Super Écran will also ramp up its total offering to four channels next spring. And our PPV offering will become a NVOD system with 80+ channels, 40+ for CC and 40+ for Canal Indigo, in 2000.

Our experience on digital delivery platforms has shown that Canadian television consumers want movies, and that it is our programming services that add the premium value Canadians seek. In line with these expectations, Astral Television Networks will continue to deliver every theatrically-released Canadian feature film, movies from all the major U.S. and independent studios, and the unique point of difference programming which our subscribers have come to expect. In 1999 this included exclusive series like HBO's Emmy Award-winning *The Sopranos*, which U.S. and Canadian critics declared "the best new show on television," and the Canadian-made series *The Hunger* hosted by David Bowie. We also broadcast several variety specials last year, including *Cher In Concert* on TMN, comedy specials with Lise Dion and François Massicotte on Super Écran, and the *galas du Festival Juste Pour Rire* on Canal Indigo.

6

Judith Brosseau

Senior
Vice-President
Programming
Canal D, Historia
& Séries+

7

Monic Lessard

Vice-President
Programming
Canal Famille

8

Jocelyne Lavoie

Vice-President
Programming
Historia


Broadcasting

We expect the impact of digital cable to result in a larger addressable base and higher overall pay-TV penetration levels. We are also expecting higher buy rates for Viewer's Choice's and Canal Indigo's pay-per-view offerings, where success is based on the number of channels. With the added bandwidth available in digital cable systems, PPV can deliver choice and convenience to customers: the 40+ channels that will be launching for each pay-per-view network translate into 10 different movies, each offered every 30 minutes - a compelling proposition.

**THE HAROLD GREENBERG FUND/
LE FONDS HAROLD GREENBERG**

The Harold Greenberg Fund/Le Fonds Harold Greenberg continued its efforts to increase the number of quality Canadian movies by supporting the screenwriting process and by making strategic production equity investments in Canadian films and special events. In 1999, a number of The Fund/Le Fonds-supported films were premiered to acclaim and garnered awards at several festivals, including Toronto, Berlin and Cannes. *The Five Senses*, *Better Than Chocolate*, *Emporte-moi*, and *New Waterford Girl* took audiences at home and abroad by storm. *New Waterford Girl* has also been selected for exhibition at Sundance, and *Emporte-moi* has been chosen as Canada's official selection for Best Foreign Language Oscar.

*"Astral
Broadcasting
Group is
entering the
year 2000
with
confidence
and resolve."*



Pierre Roy
President and Chief
Executive Officer
Les Chaînes Télé Astral

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The Harold Greenberg Fund/Le Fonds Harold Greenberg also supported other English-language movies, including those scripted by Denys Arcand, Bruce McCulloch, Mina Shum, Thom Fitzgerald, Tricia Fish, Amnon Buchbinder, Peter Wellington, Semi Chellas and Noel S. Baker. It is gratifying to report that this is The Fund/Le Fonds' best year yet in terms of returns on its script development investments, with a number of previously-funded movies going into production and reaching Canadian screens.



Pierre Roy
President and Chief
Executive Officer
Les Chaînes Télé Astral

Johanne Saint-Laurent

Senior Vice-President Finance,
Operations and
Business Affairs
Les Chaînes Télé Astral

10

Len Cochrane

President and
Chief Operating Officer
Family Channel

11

John Riley

President
TELETOON



The French-language movies supported by The Fund/Le Fonds in 1999 included *Hochelaga*, written and directed by Michel Jetté, *C't'à ton tour Laura Cadieux - la suite*, written and directed by Denise Filiatrault, and *Les Muses orphelines*, adapted from the work by Michel-Marc Bouchard and directed by Robert Favreau.



The Fund/Le Fonds also made production equity investments in the five French-language gala performances of the Festival Juste Pour Rire (Just For Laughs) and in the special broadcast of the hip hop concert Dubmatique from the Festival d'été de Québec. It also renewed its support for the Feature Film Project of Norman Jewison's Canadian Film Centre, a program that produces and markets low-budget dramatic feature films by emerging Canadian filmmakers.

LES CHÂÎNES TÉLÉ ASTRAL

Les Chaînes Télé Astral continued to consolidate and develop our subscription and advertising supported French-language specialty networks. Canal D and Canal Famille performed strongly and were very popular, each drawing a 2.1 per cent market share in the Francophone market. Canal D, which specializes in documentaries and has an audience composed mainly of male viewers aged 25 - 54, began offering 12 minutes of advertising per hour and enjoyed a 24 per cent increase in its market share in 1999. Within its target market of teens 12 - 17, Canal Famille attained a 14 per cent market share in 1999. Both Canal Famille and Canal D continue to garner awards and acclaim for their original programming, netting 10 nominations and four Gémeaux in 1999. Continuing in our role

as a leader in the French specialty television market, we filed an application for the renewal of the licence of Canal Famille seeking to extend its broadcast day to 24 hours and adding advertising during some parts of it.

Two new networks will launch in January 2000 and will be added to the complement of niche-market television networks Les Chaînes Télé Astral delivers to French-speaking Canada. Historia will be a conduit for entertainment and information on history and events that shape our world, with particular emphasis on personalities and subjects, both national and international, that have special meaning for Francophone audiences in Québec and across Canada. Séries+ will offer a wide array of dramatic programming from Canada and around the world. Twenty-five per cent of its programming will be devoted to Canadian programs including popular mini-series and long-running series from the past, as well as original telefilms produced for the network. Séries+ will also

Kevin Wright

Vice-President
and General Manager
Télé-Québec

Jean-Paul St-Denis

Vice-President and
General Manager
Télé-Annouces

Chantale Taillon

Vice-President and
General Manager
TVPlus Média

Reneault Poliquin

Vice-President, Marketing
Astral Broadcasting Group



showcase programs from England, Germany, Australia, and the United States which have never been broadcast to French-Canadian audiences.

Pending CRTC approval, the acquisition of the specialty channel properties of Radiomutuel will bring into Les Chaînes Télé Astral the popular Canal Vie and the soon-to-be-launched Z. These networks will add great value and considerable market reach to Astral's French-language television properties. When we add the projected market shares of all the French-language services in which we hold an interest, the Astral Broadcasting Group will draw the largest audience share of viewers in the Francophone pay and specialty market.

FAMILY CHANNEL AND TELETOON

Building on its successful transition onto a tier, Family Channel relaunched its brand to enhance its appeal to a broader audience in close to 4 million households. "Family Power" radiates from its on-air signal and its popular Web site, celebrating Canadians' pride and enthusiasm in their families and their leisure time together. Family

and its redesigned web resources will continue to be Canada's source for entertainment, for the family and by the family.

TELETOON, Canada's national animation network which operates English and French networks, continues to be extremely popular with Canadian audiences. In anglophone markets, TELETOON ranked third overall among all Canadian specialty channels with a 1.6 per cent viewership share (viewers aged 2+ among all English TV households), while only in its second year of operation and available on the least penetrated third specialty tier. In the French-language market, TÉLÉTOON ranked #1 among specialty channels with a 3.1 per cent share of viewers aged 2+. For Québec TV households with children aged 2-11, TÉLÉTOON earned a huge 16.5 per cent share!

With more than 200,000 unique user sessions per month, TELETOON's Web site is now extending this formidable consumer appeal into new interactive frontiers.



THE FUTURE

Astral Broadcasting Group is entering the year 2000 with confidence and resolve. We are passionate and committed to building our existing businesses efficiently and successfully. We are proud of our asset portfolio and are confident that our quest to enhance the value of each network, and the group as a whole, will bring more growth in the future. We are focused on finding and leveraging the synergies among our networks, and continually raising the value of all assets. We are also determined to identify and pursue new opportunities for acquisitions in the broadcasting and new media sectors, and to seek new specialty network licences. We are entering the millennium with direction, determined to become an even more formidable media force in the Canadian market.



André Bureau, O.C.

President and Chief Executive Officer

Astral Broadcasting Group



Omni Outdoor's revenues rose 20 per cent in Fiscal 1999 as the demand for outdoor advertising continued unabated. Outdoor is one of the fastest-growing advertising mediums in Canada, and its extraordinary growth has seen Omni, which has a commanding presence in Québec and strong positioning in Ontario and British Columbia, double its sales over the past five years.

Key growth factors in 1999 were increased demand in Québec; more inventory as a result of the intensive construction of new outdoor advertising structures; and revenues generated through the operation of the advertising concessions in the Montréal and Mirabel Airports, which we took over in October 1998.

The new structures allowed Omni to sign exclusive partnership agreements with suburban municipalities on and off the Island of Montréal, giving media buyers quality sites in choice locations situated in proximity to major highways. Over 211 structures were built in a number of municipalities, including Anjou, Saint-Léonard, Sainte-Julie, Terrebonne, Lachenaie and LaSalle. In addition, the major OmniColumn development and management contract with the City of Montréal was extended for 25 years through 2023. As well, agreements with Vanier and Beauport reinforced Omni's presence in the Quebec City region.

The company's presence in Toronto was heightened by the construction of an OmniMax super billboard at Exhibition Place, near the Gardiner Expressway, one of the

city's most traveled access routes. It is the first agreement with a City of Toronto paramunicipal corporation, and has led Omni to envisage additional developments.

Omni also signed a 20-year agreement to implement and operate a network of 200 OmniColumns in Cleveland, Ohio, the company's first contract in the United States. This network, which will be installed in the spring of 2000, will serve as a linchpin and "sales office" for the company's plans to expand into the U.S.

Omni's strength is its development of innovative advertising vehicles and urban furniture that blend into the urban landscape, such as OmniColumn, OmniMax, OmniZontal, OmniClassic and OmniAirport. The company had 2,667 advertising faces at the end of the fiscal year, with some 300 additional faces added subsequent to year-end.

Outdoor Advertising



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George Rossi

President
Omni Outdoor and
Company

17

Robert Léonard

Executive Vice-President
and General Manager
Omni Outdoor and
Company

Astral has expanded its presence in New Media with the launch of teleannonces.com, a Web site promoted by the **Télé-Annonces** televised classified ad service that is distributed by Vidéotron cable to more than 1.2 million homes, and servicevie.com, a woman's destination on the Internet.

These two e-commerce sites, along with Artech Digital Entertainments, represent the first steps in Astral's determination to become a major component of the fast-evolving New Media sector.

Astral's initial venture in New Media, Artech, added two additional million-copy sellers to its trophy collection with games based on the long-running Sony Pictures Entertainment television game shows **Wheel of Fortune**® and **Jeopardy**®. These were developed for the 1998 Christmas season under its long-term agreement with Hasbro Interactive, a unit of the Hasbro toy company. And with four titles shipped for Christmas 1999 and five big licence properties slated for production, 2000 looks even brighter.

The four new titles were **Monopoly**®, the 2000 edition, in 10 languages; **Q*bert**®, an arcade game that relaunched the Atari line; **Guess Who**®, a children's adventure game in 10 languages; and **My Little Pony**®, produced for the European market.

Among the projects currently in development for PC and Sony PlayStation® PSX platforms are **Blaster**® for Sony and Knowledge Adventure, Stephen Spielberg's educational

software venture; and **Family Feud**®, based on the TV game show for Hasbro and the Pearson Television Group. It is also developing sequels to its smash successes of this year for Hasbro and Sony, **Wheel of Fortune**® and **Jeopardy**®.

Artech is completing work on its newly expanded studio in Ottawa. Slated to be fully operational in January, it features a state-of-the-art motion capture system and will house a staff of over 100, making it one of the leading game developers in North America.

A key initiative for Fiscal 2000 is the development of a TV pilot project, which will position the company for entry into the interactive television market. The venture is currently being discussed with key players in the broadcasting and software publishing industries.

Looking further ahead, Artech is preparing for the introduction of the next generation of Sony PlayStation® PSXII and PC platforms with the development of a number of well-known titles.



Technical Services is one of the pillars on which
sector of the film and television business, it is n
is taking place throughout the industry. In Febr
at the top of the technical services sector by mer
Group Inc. (Covitec), a publicly traded company

The resultant entity, in which Astral has a con-
trolling 63.2 per cent interest, operates under
the Covitec name as Astral's technical services
subsidiary. Combining the complementary activities of both
companies, Covitec offers a complete array of state-of-the-
art film and video post-production services for the motion
picture and television industry from facilities in Montréal,
Ottawa, and Québec.

Covitec operates seven sound stages in Montréal that
host more than 100 productions a year — from sitcoms to
commercials. Its services also include dubbing, video
reproduction, film lab, film transfer, digital editing, special
effects, colour correction, release printing, sound record-
ing, subtitling, and 2D animation, and it is the only post pro-
ducer in Québec to offer services for High Definition video.
Covitec also owns an equipment rental facility in Ottawa.

The integration of both companies is proceeding on
schedule, and the benefits from the streamlining of their
operations are expected to make a positive contribution to
Astral's earnings in Fiscal 2000.

Technic

16
Dobson, Veronoff
Vice-President
Fraser
Artech Digital
Entertainments

*"We will find
a solution
that will
serve the
best interests
of the
Company."*



Technical Services is one of the pillars on which Astral was built. However, like every other sector of the film and television business, it is not immune to the global consolidation that is taking place throughout the industry. In February, we moved to make sure we remained at the top of the technical services sector by merging our AstrafTech subsidiary with Covitec Group Inc. (Covitec), a publicly traded company listed on the Toronto Stock Exchange.

The resultant entity, in which Astral has a controlling 63.2 per cent interest, operates under the Covitec name as Astral's technical services subsidiary. Combining the complementary activities of both companies, Covitec offers a complete array of state-of-the-art film and video post-production services for the motion picture and television industry from facilities in Montréal, Ottawa, and Québec.

Covitec operates seven sound stages in Montréal that host more than 100 productions a year — from sitcoms to commercials. Its services also include dubbing, video reproduction, film lab, film transfer, digital editing, special effects, colour correction, release printing, sound recording, subtitling, and 2D animation, and it is the only post producer in Québec to offer services for High Definition video. Covitec also owns an equipment rental facility in Ottawa.

The integration of both companies is proceeding on schedule, and the benefits from the streamlining of their operations are expected to make a positive contribution to Astral's earnings in Fiscal 2000.

The merger, which is expected to produce synergies in the order of \$4 million per year, provides Covitec with specialized and diversified expertise and a solid balance sheet that allows it to pursue new business opportunities.

Covitec signed several important agreements during the second half of 1999 that will prove beneficial to the company. These include a five-year agreement with Les Chaînes Télé Astral to become the exclusive provider of pre-broadcast technical services for the Company's specialty channels, Canal Famille, Canal D and the new Historia and Séries+ services that will begin broadcasting in January 2000.

Technical services

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Dolores Voronoff
Vice-President
Finance
Artech Digital
Entertainments

19
Rich Banks
Director
Artech Digital
Entertainments

20
Paul Butler
Director
Artech Digital
Entertainments

21
Claude V. Gagnon
President and Chief
Executive Officer
Covitec Group

During the summer, Covitec, which was already involved with Studios LaSalle, enhanced its position as the leading integrated furnisher of studio space and equipment for shooting television programs and commercials in Montréal.

It concluded an agreement to purchase Studio Centre-Ville from Motion International. The deal included an agreement whereby Covitec became the privileged supplier of technical services to Motion, which is one of Canada's leading producers and distributors of theatrical and television programming.

It also signed an agreement to rent the studio facilities TQS vacated when it moved to downtown Montréal. The deal called for TQS to continue shooting some of its programming at the studio, while gaining Covitec new clients who were already using the space.

Building on a solid foundation, Covitec's immediate plan is to reinforce its presence in Québec and concentrate its business development efforts in other provinces and the United States, while continuing to monitor acquisition opportunities.

“Covitec

operates seven

sound stages in

Montréal.”

The video industry is going through a volatile period as a result of industry trends that are affecting the distribution and duplication sectors of the business.

ASTRALTECH VIDEO DUPLICATION CENTRE

The Video Duplication Centre experienced a decline in output during the year as the lack of strong releases took its toll. The centre turned out 13.4 million videocassettes, down 10 per cent from the record-breaking 15 million units the previous year.

Walt Disney's Buena Vista Home Entertainment continues to be the centre's major client, while Resolution Inc., a Vermont-based duplicator which uses AstralTech for its overflow duplication, has quickly become the second largest customer. Other clients include Columbia House, Lions Gate Distribution, France Film and the National Film Board. Major Disney titles released during the year included *Lion King II: Simba's Pride*, *Armageddon*, *Mulan* and *A Bug's Life*.

While the Duplication Centre continues to be a strong contributor to Astral's profits, there are signs that VHS has reached a crossroad. VHS is a mature format and, while it will continue to experience growth, it will be at a much slower rate. As well, videocassette sales are also being affected by DVD, the new media that has seen the most rapid acceptance by consumers.

On behalf of the entire Astral family, Sidney Greenberg, President of the Video Group, wishes to pay tribute to Armand Cournoyer, Vice-President and General Manager of the Duplication Centre, who has retired after 15 years of loyal and devoted service.

ASTRAL HOME ENTERTAINMENT

Astral Home Entertainment (AHE), which supplies videocassettes to over 4,000 retail customers across Canada, had a difficult year as a result of changes that are affecting the way videocassettes are distributed.

A major factor is revenue sharing, which sees studios leasing the titles to retailers instead of selling them, generating a much lower return to AHE than if the video was sold. Another important factor is the reduced prices of titles in the ever-growing sell-through market, which results in decreasing overall dollar sales volumes.

We are monitoring this turn of events very closely to make sure that we will find a solution that will serve the best interests of the Company.

Video



Sidney Greenberg
President
Astral Video Group

Board of Directors

Austin C. Beutel
Corporate Director

Edward M. Bronfman
President
Maured Limited

André Bureau, O.C.
*Chairman of the Board
of the Company*

Jack L. Cockwell
*President &
Chief Executive Officer*
EdperBrascan Corporation

George A. Cohon, O.C.
*Senior Chairman &
Chairman, Executive
Committee*
**McDonald's Restaurants
of Canada Limited**

Paul V. Godfrey, C.M.
*President &
Chief Executive Officer*
Sun Media Corporation

Serge Guin
Vice-Chairman
**Salomon Smith Barney
Canada Inc.**

Corpora



Board of Directors

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Maured Limited

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Serge Gouin
Vice-Chairman
**Salomon Smith Barney
Canada Inc.**

Edith Greenberg
Chairperson
Halgreen Holdings Inc.

Ian Greenberg
*President and Chief Executive
Officer of the Company*

Sidney Greenberg
Vice-President of the Company

Mila P. Mulroney
Honorary Director
Canadian Cystic Fibrosis Foundation

Timothy R. Price
Chairman of the Board
Trilon Financial Corporation

Corporate services



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Mark Pereira

Vice-President

Finance and Administration

Astral Home Entertainment

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André Pagotto

Vice-President and

General Manager

AstralTech Video

Duplication Centre

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Claude A. Gagnon

Vice-President

Finance

Astral

25

Claude Laflamme

Vice-President

Legal Affairs and Secretary

Astral

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David Novek

Consultant

Corporate Communications

Astral

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Arnold Chiasson

Vice-President

Human Resources

Astral

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Jacques Parisien

Vice-President

Development

Astral



Management's discussion and analysis

FOR THE YEAR ENDED AUGUST 31

(in thousands except earnings per share)

	1999	1998
Revenues from Operations		
Broadcasting	\$138,081	\$111,261
Video	188,087	170,167
Technical Services	48,997	42,977
	\$375,165	\$324,405
EARNINGS		
Broadcasting	\$ 26,537	\$ 18,800
Video	3,290	7,626
Technical Services	3,407	4,204
Share of equity earnings	2,283	1,396
Corporate costs	(7,407)	(7,208)
Net interest ⁽¹⁾	(2,191)	(1,461)
Non-controlling interest	(248)	(799)
Earnings before income taxes	25,671	22,558
Provision for income taxes	10,747	9,932
Net earnings	\$ 14,924	\$ 12,626
Earnings per share - basic	\$ 1.00	\$ 0.92
EBITDA	\$ 45,345	\$ 38,200

(1) Net interest comprises interest expense less interest income which has not been allocated to a business segment.

OVERVIEW

The Company is proud to report record net earnings of \$14.9 million for the financial year 1999. Highlights for the year include:

- The July 7, 1999 acquisition of the 75.55% of the outstanding shares of Radiomutuel Inc. ("Radiomutuel") which it did not previously own. This acquisition solidifies the Company's position as the largest pay and specialty channel owner in Canada. It also allows the Company to enter into the domain of radio broadcasting as well as outdoor advertising through Omni Outdoor and Company ("Omni"). The change of control of Radiomutuel's regulated radio and television assets is subject to the approval of the CRTC.
- Parallel to the Radiomutuel transaction the Company successfully completed a \$120 million public offering to partially finance the acquisition.
- The merger of the AstralTech Inc. technical services division with Covitec Group Inc. ("Covitec") has created one of the leading film and television technical services companies in Canada, and the largest of its kind in Québec. The Company obtained a 63.3% controlling interest in Covitec in exchange for its technical services assets.
- The granting by the CRTC of two new French-language specialty licences: Historia and Séries+. Radiomutuel was also granted a French-language specialty licence for Z. These services will be launched in January 2000.
- The Company's stock performance benefited from its inclusion in both the TSE 300 Composite Index and the TSE 200 Index on February 19, 1999.

REVENUES FROM OPERATIONS

Revenues from operations for the year ended August 31, 1999, were \$375.2 million compared to \$324.4 million for the previous year.

Broadcasting Group revenues increased to \$138.1 million from \$111.3 million in the prior year due to the favourable impact on all of the Company's networks of the strong growth of DTH subscriber levels, a full year of revenues for Family Channel and TELETOON as last year there were free preview periods during the first four months of the fiscal year, and advertising revenues from Canal D.

The **Astral Video Group's** revenues of \$188.1 million were up from \$170.2 million last year due mainly to higher sales volumes in the Company's Astral Home Entertainment videocassette distribution division, reflecting a full year of servicing the Blockbuster Video contract, partially offset by a decline in duplication sales.

Technical Services revenues increased to \$49.0 million from \$43.0 million last year. Higher revenues were the result of the merger of the Company's technical services division with Covitec effective February 8, 1999.

EARNINGS

Earnings before income taxes for the year ended August 31, 1999 increased to \$25.7 million, up from \$22.6 million for the previous year, an improvement of \$3.1 million or 14%.

Earnings from the **Broadcasting Group** of \$26.5 million in fiscal 1999 were \$8.5 million or 47% higher than the \$18.0 million (net of non-controlling interest of \$0.8 million) of the prior year. The improvement is explained by increased demand for the Company's various services due to the growth of DTH, a full year's operation of TELETOON and the impact of owning 100% of Les Chaînes Télé Astral for the entire year in 1999 whereas minority shareholders held a 40% interest for the first quarter of the prior year.

The **Astral Video Group's** fiscal 1999 earnings of \$3.3 million were \$4.3 million lower than those of last year due mostly to reduced margins from videocassettes distributed to the rental market through studio revenue-sharing programs, and due to lower duplication volumes.

The **Technical Services Group's** earnings of \$3.2 million (net of non-controlling interest of \$0.2 million) in the current fiscal year were down from \$4.2 million last fiscal year due to integration costs resulting from the merger with Covitec. The synergistic benefits of the merger will be realized in fiscal 2000.

The Company's **share of equity earnings** increased to \$2.3 million in fiscal 1999 from \$1.4 million in the prior year as results for fiscal 1999 include equity earnings from the Company's investment in 100% of Radiomutuel since July 7, 1999. The increase is partially offset by the higher amortization of the broadcast licences and goodwill created as a result of the acquisition. Given the Company is awaiting the decision of the CRTC regarding this acquisition, Radiomutuel continues to be accounted for on an equity accounting basis.

Net interest expense of \$2.2 million in fiscal 1999 has increased by \$0.7 million due mostly to the increased debt level resulting from the acquisition of Radiomutuel in July 1999.

The Company continues to amortize its **broadcast licences**. This results in an annual non-cash charge to income of \$3.6 million, \$0.3 million higher than the prior year due to a full year's impact of the acquisition of the minority shareholdings of Les Chaînes Télé Astral which resulted in a \$48.6 million increase to the carrying amount of the Company's broadcast licences. This amount is amortized over the remaining period of amortization of the Company's pre-existing broadcast licences. The acquisition of Radiomutuel will increase the amortization charge by in excess of \$5 million on an annualized basis. The licence term for Canal Famille expired on August 31, 1999. The Company has filed an application for the renewal of this licence with the change of condition to allow the service to carry advertising. The CRTC has granted an interim renewal until February 29, 2000 when the application will have been reviewed. Astral is involved, on its own or with partners, in 16 network licences. The Company believes that there has been no impairment to the carrying value of the broadcast licences on its balance sheet.

The effective **income tax** rate of 39.8% has remained at a level consistent with last year's rate of 38.9%.

The previously described improvement of earnings before income taxes resulted in an increase of **net earnings** to \$14.9 million from \$12.6 million last year, or an 18% increase year over year. As well, **earnings per share** of \$1.00 has improved by 9% over the \$0.92 per share recorded last year. This increase was lower due to the dilution effect of a higher number of shares outstanding related to the issue by the Company of 5 million shares in July 1999.

EBITDA increased 19% to \$45.3 million in 1999 from \$38.2 million in 1998 due mainly to the improved earnings performance.

The following highlights the Company's quarterly performance for fiscal 1999 :

(in thousands except per share information)

	<u>1999</u>				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Revenues from operations	\$105,415	\$100,972	\$87,155	\$81,623	\$375,165
Net earnings	3,211	3,465	3,769	4,479	14,924
EBITDA	9,759	10,717	11,499	13,370	45,345
Earnings per share - basic	\$ 0.23	\$ 0.25	\$ 0.27	\$ 0.25	\$ 1.00
Cash flow per share - basic	\$ 0.45	\$ 0.52	\$ 0.54	\$ 0.55	\$ 2.06

	1998				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Revenues from operations	\$ 72,860	\$ 70,829	\$87,696	\$93,020	\$324,405
Net earnings	2,429	2,918	3,384	3,895	12,626
EBITDA	8,018	9,016	9,829	11,337	38,200
Earnings per share - basic	\$ 0.18	\$ 0.22	\$ 0.24	\$ 0.28	\$ 0.92
Cash flow per share - basic	\$ 0.47	\$ 0.44	\$ 0.43	\$ 0.71	\$ 2.05

LIQUIDITY AND FINANCIAL RESOURCES

Cash and short-term investments have increased to \$8.0 million this fiscal year from \$2.0 million in 1998 due to positive cash flow. The Company had negative working capital of \$13.4 million in 1999 up from the \$7.1 million in 1998 due mainly to reduced accounts receivable and to the accrual of acquisition costs pertaining to the Radiomutuel transaction.

Accounts receivable have decreased from \$76.0 million in 1998 to \$70.7 million in 1999 principally as a result of a decline in fourth quarter revenues, as compared with those of the same period last year, arising from lower sales volumes in the Astral Video Group.

Inventories have increased to \$13.5 million this year from \$11.8 million in 1998 due to a higher level of purchases in the Astral Video Group.

Program and film rights have remained consistent at \$25.7 million in 1999 compared with \$26.3 million in 1998. Program and film rights on the balance sheet as at August 31, 1999 represent the unamortized cost of programming product acquired by the Company's broadcasting networks.

Investments include the Company's 100% share in Radiomutuel (24.45% in 1998) and its 14.95% interest in The Comedy Network Inc. which are accounted for on an equity accounting basis. They also include its 4.98% interest in Motion International Inc. ("Motion" previously known as Groupe Coscient inc.) which is accounted for at cost.

Other assets include long-term receivables, deferred charges, a deferred pension asset and employee loans. The long-term receivables consist mainly of a balance of sale from the October 1996 sale of the Company's distribution and programming assets to Motion. This receivable balance is due over the next three years. Deferred charges represent network licence application and development costs which are amortized over the term of the licences. A non-cash charge of \$2.4 million is included in income, up from the \$0.9 million of the previous year due to a full year impact of amortization of deferred charges arising from the launch of the TELETOON services and the free preview period for the relaunched Family Channel service in fiscal 1998.

The increase in **accounts payable** from \$84.2 million last year to \$92.3 million for the current year is principally due to the Company's accrual of the costs associated with the acquisition of Radiomutuel.

Long-term debt has increased to \$132.2 million at the end of fiscal 1999 from \$24.0 million a year earlier as a result of additional debt obtained from a syndicate of Canadian financial institutions to partially finance the acquisition of the balance of the outstanding shares of Radiomutuel.

The Company has access to **consolidated operating credit facilities** of \$78.4 million. As at August 31, 1999, \$6.4 million of this facility was used. Year over year, the Company's loan levels drawn from its operating facilities have increased by \$0.8 million.

The Company's **debt to equity** ratio based on total long-term debt remains low at 0.44:1 at August 31, 1999, compared to 0.14:1 at August 31, 1998, reflecting the Company's strong balance sheet and its ability to obtain financing for future acquisitions and investments.

Cash flow from operations increased to \$30.6 million or \$2.06 per share in fiscal 1999 from \$28.0 million or \$2.05 per share for the prior year. The Company's cash was used mainly to finance capital expenditures and to repay long-term debt.

The **capital stock** of the Company increased by \$120.4 million during the year mainly as a result of the issuance of 5,000,000 Class A common shares at \$24 per share to partially finance the acquisition of Radiomutuel. **Shareholders' equity** increased to \$299.7 million from \$168.5 million. The **book value** of the Company increased by 29% to \$15.58 per share as compared with \$12.04 per share at August 31, 1998. The average number of shares outstanding has increased to 14.9 million from 13.6 million.

CAPITAL EXPENDITURES

Capital expenditures increased to \$14.9 million in fiscal 1999 from \$7.7 million for the previous year and pertained mostly to the implementation of a new business operations system, a new Toronto broadcast centre and ongoing

ing equipment upgrades. Capital spending in the coming year is estimated at \$29.0 million including \$8.0 million for a new origination centre in Montréal which is required to develop additional origination capacity to meet the networks' increased demand for high quality origination services. In addition, the Technical Services segment requires equipment to expand its pre-origination and post-production services, Omni will invest in signage for entrance into new markets and the balance will be used for systems and equipment upgrades.

PRO-FORMA FINANCIAL INFORMATION

The following information allows for a comparison of actual fiscal 1999 results to pro-forma results for fiscal 1999 had the acquisition of Radiomutuel taken place on September 1, 1998.

(in thousands except per share information)

	Actual	Pro-forma
Revenues	\$378,205	\$471,048
EBITDA	\$ 45,345	\$ 64,638
Earnings before income taxes	\$ 25,671	\$ 25,817
Net earnings	\$ 14,924	\$ 12,676
Average number of shares outstanding	14,857	19,088
Earnings per share - basic	\$ 1.00	\$ 0.66
Cash flow per share - basic	\$ 2.06	\$ 2.28

The reduction in pro-forma net earnings results from a higher level of interest expense combined with increased amortization of broadcast licences and goodwill due to the amount paid in excess of the book value of Radiomutuel's net assets. Pro-forma EBITDA for the Company would have increased by 43% from \$45.3 million to \$64.6 million. Cash flow from operations per share of \$2.28, up from \$2.06, would have been higher by 11%.

RISK AND UNCERTAINTIES

The Company faces a number of risks and uncertainties in all its businesses. **Technology** is constantly changing and impacts all of the Company's broadcasting and technical operations. The Company has generally shown itself to be a leader in most of its businesses rather than reacting to developments by others and has managed to benefit from new technologies.

New **communications protocols** are constantly being developed. Digital Video Compression ("DVC") has allowed for multiplexing, resulting in lower costs and more efficient use of satellite communications capabilities. DVC decoders are now used by delivery systems to expand channel capacity by more than double the existing capacity. This is possible as compression ratios are higher using a digital signal as opposed to an analog signal within the same bandwidth. This technology will continue to have a positive impact on the Company's technical costs.

Most of the Company's businesses have one or more important **customers**. In Broadcasting, where the industry has undergone some consolidation, a small number of cable companies comprise the majority of the base for the Company's English-language and French-language networks. This risk has been reduced as competing DTH distribution undertakings have achieved appreciable levels of subscriber penetration. With the continued expected growth of DTH subscribers, the Company will benefit from higher subscriber revenues. There is always a risk that the loss of an important relationship would have a significant impact on any particular business unit. To alleviate this risk, the Company enters into long-term contracts with customers. Any disruption of the Disney multi-year videocassette duplication contract would be important to the AstralTech Video Duplication Centre.

As DVD technology begins to find a niche in the marketplace, its growth rate remains unknown at this time. The Company is monitoring the impact of this technology on the tape duplication industry and believes that demand for pre-recorded videocassettes will remain strong for a number of years.

The Company's broadcasting units are **regulated** by the Canadian Radio-television and Telecommunications Commission ("CRTC"). While this regulated framework currently provides a stable environment and supports the Canadian broadcasting industry from undue foreign influence, these circumstances could change at any time. The impact on the Broadcasting Group of any possible changes to broadcast policy and regulations cannot be determined.

The Company has eagerly anticipated the rollout of new **digital set-top boxes** with their ability to increase channel capacity and encryption technology which deters signal theft. This should have a positive impact on the Company's pay-TV and pay-per-view operations. While cable operators have begun the rollout of new boxes, it is not known when a significant number of boxes will be made available. In the interim, the Company focuses on changeouts of set-top boxes with smaller cable operators who continue to work with analog technology.

The Company has recently expanded the availability of the number of **pay-per-view channels** offered by Viewer's Choice to accommodate subscribers in areas benefiting from increased digital capacity. Other areas in which channel capacity is limited offer a reduced number of pay-per-view channels. Although this does not affect the line-up of hit movies, live sports events, comedy specials and concerts, it does reduce the frequency of start times. Through the use of multiplexing, two services have or will have expanded their number of channels.

The CRTC from time-to-time issues new licences for a variety of services. **Competitive licences** granted to other companies increase the competition for viewers, programming and advertising dollars. There also exists competition for the computer-literate consumers who now spend part of their leisure time in front of the computer as opposed to the television. These factors have not had a measurable effect on the revenue or earnings of networks within the Broadcasting Group. Furthermore, the Company does not believe that potential competing video-on-demand ("VOD") services will have an impact on any of its services in the foreseeable future.

YEAR 2000

The Company's systems have been fully assessed and tested and are Year 2000 ready in all material respect since September 1, 1999. The Company has implemented an action plan the scope of which covers all computer hardware and software products, broadcasting, production, post-production, distribution systems and general office equipment.

The action plan consisted of taking an inventory of the dependent systems, making an assessment of these systems for Year 2000 readiness, converting or replacing applicable systems, testing, making contingency arrangements and ensuring key partner and other third party preparedness.

As a result of the Company's policy of continuous technology upgrades, all material requirements have been addressed through its planned capital expenditures and have been found to be Year 2000 ready. The Company has assessed the efforts of its customers, suppliers and other third parties for assurances of Year 2000 compliance. While the Company will continue to act diligently to be Year 2000 ready, there can be no assurance that the systems of other entities on which the Company is dependant will not have an adverse effect on the Company's operations. In light of this concern, the Company has established contingency plans to mitigate the effects of any potential significant interruption in service.

The Company is covered by insurance for financial impairment resulting from reliance on systems it has no direct control on, such as a power failure caused by a Year 2000 malfunction.

OUTLOOK

The Company is involved in a dynamic industry which offers both opportunities and challenges. As the CRTC changes the regulatory framework, the Company has the opportunity to apply for or acquire more licences but at the same time is facing increased competition within the Canadian broadcasting market. The Company plans to file applications with the CRTC for new national English-language specialty television services when the CRTC announces its request for submission of new services. This call for new English-language licences is anticipated in the Spring of 2000.

The **Broadcasting Group** is looking forward to an increase in earnings in fiscal 2000 principally from the additional growth of DTH subscribers and, subject to the CRTC's approval, from its newly acquired interests in Canal Vie, MusiquePlus, MusiMax and the Radiomutuel radio broadcasting assets.

The Company has increased its ownership of **Omni** from 72% to 79% effective September 1, 1999. Omni continues to expand its Canadian operations and will begin operations in Ohio under a recently obtained contract from the City of Cleveland.

The Company is addressing strategic avenues regarding its approach to the distribution of videocassettes under studio revenue-sharing programs in order to alleviate the erosion of gross margins within the **Video Group**. The Company continues to maintain its strong relationship with Walt Disney Company's Buena Vista Home Entertainment with whom it has recently renewed a multi-year agreement for the exclusive duplication of videocassettes for the Canadian market.

The **Technical Services Group** is expected to benefit from a full year's impact of the Covitec acquisition, as well as the synergistic benefits of the related merger.

The Company has a strong balance sheet and its cash flow and financial resources are more than sufficient to meet its operational obligations and to finance capital expenditures. It maintains excellent relations with lenders and believes that satisfactory financing can be obtained for any acquisition which supports its growth strategy.

The Company intends to continue its current dividend practice.

Management's responsibility for financial information

The accompanying consolidated financial statements of Astral Communications Inc. and all the information in this annual report are the responsibility of management.

The financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through the Audit Committee which consists of three outside directors appointed by the Board. The Committee meets periodically with management as well as with the independent external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the consolidated financial statements and the external auditors' report thereon and reports its findings to the Board for consideration when the Board approves the financial statements for issuance to the Company's shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. The external auditors have full and free access to the Audit Committee.

On behalf of the shareholders, the financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with generally accepted auditing standards.



Ian Greenberg
President and Chief Executive Officer
Montréal, Québec
October 18, 1999



Claude Gagnon, CA
Vice-President, Finance

Auditor's report

To the Shareholders of Astral Communications Inc.

We have audited the consolidated balance sheets of Astral Communications Inc. as at August 31, 1999 and 1998 and the consolidated statements of retained earnings, earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Montréal, Québec
October 18, 1999

ERNST & YOUNG LLP
Chartered Accountants

Consolidated balance sheets

AS AT AUGUST 31
(in thousands)

	<u>Notes</u>	<u>1999</u>	<u>1998</u>
ASSETS			
Current			
Cash and short-term investments		\$ 8,022	\$ 1,959
Accounts receivable		70,734	76,021
Inventories		13,496	11,765
Program and film rights	3	19,058	19,176
		111,310	108,921
Program and film rights	3	6,617	7,096
Investments	4	269,596	27,251
Other assets	5	8,410	8,371
Fixed assets	6	47,719	30,624
Broadcast licences	7	114,740	118,375
Goodwill		11,636	7,210
		\$570,028	\$307,848
LIABILITIES			
Current			
Bank indebtedness	8	\$ 6,416	\$ 5,560
Accounts payable and accrued liabilities		92,328	84,214
Program exhibition rights		24,202	19,103
Long-term debt due within one year	9	1,743	7,179
		124,689	116,056
Deferred income taxes		555	2,014
Program exhibition rights		1,946	4,410
Long-term debt	9	130,410	16,831
Non-controlling interest		12,766	-
SHAREHOLDERS' EQUITY			
Capital stock	10	248,439	127,995
Retained earnings		51,223	40,542
		299,662	168,537
		\$570,028	\$307,848

See accompanying notes

On behalf of the Board:



Ian Greenberg
Director



André Bureau
Director

Consolidated statements of earnings

FOR THE YEARS ENDED AUGUST 31
(in thousands except earnings per share)

	<u>Note</u>	<u>1999</u>	<u>1998</u>
Revenues			
Operations		\$375,165	\$324,405
Interest income		757	559
Share of equity earnings		2,283	1,396
		378,205	326,360
Expenses			
Cost of sales		270,395	237,429
Selling and administrative		62,657	50,389
Interest on long-term debt		1,805	1,255
Other interest		819	333
Depreciation		10,568	9,456
Amortization of broadcast licences		3,635	3,270
Amortization of deferred costs		2,407	871
Non-controlling interest		248	799
		352,534	303,802
Earnings before income taxes		25,671	22,558
Provision for income taxes	11	10,747	9,932
Net earnings		\$ 14,924	\$ 12,626
Earnings per share			
- Basic		\$ 1.00	\$ 0.92
- Fully diluted		\$ 0.99	\$ 0.91
Average number of shares outstanding		14,857	13,649

See accompanying notes

Consolidated statements of retained earnings

FOR THE YEARS ENDED AUGUST 31
(in thousands)

	<u>1999</u>	<u>1998</u>
Balance - beginning of year	\$ 40,542	\$ 32,025
Net earnings	14,924	12,626
	55,466	44,651
Dividends on special shares	16	16
Dividends on common shares	4,227	4,093
	4,243	4,109
Balance - end of year	\$ 51,223	\$ 40,542

See accompanying notes

Consolidated statements of cash flows

FOR THE YEARS ENDED AUGUST 31
(in thousands except cash flow from operations per share)

	<u>Notes</u>	<u>1999</u>	<u>1998</u>
Cash provided from (used for):			
OPERATING ACTIVITIES			
Net earnings		\$ 14,924	\$ 12,626
Depreciation		10,568	9,456
Amortization of broadcast licences		3,635	3,270
Amortization of deferred costs		2,407	871
Deferred income taxes		1,066	2,418
Share of equity earnings		(2,283)	(1,396)
Non-controlling interest		248	799
Cash flow from operations		30,565	28,044
Change in non-cash operating items	12	1,108	4,328
Cash flow from operating activities		31,673	32,372
INVESTING ACTIVITIES			
Acquisition of non-controlling interest of a subsidiary		-	(62,413)
Acquisition of 75.55% of Radiomutuel Inc.	2a	(227,219)	-
Decrease (increase) in investments		3,383	(4,010)
Increase in other assets		(2,756)	(2,312)
Additions to fixed assets		(14,851)	(7,718)
		(241,443)	(76,453)
FINANCING ACTIVITIES			
Decrease in bank indebtedness		(744)	(1,166)
Increase in long-term debt		112,842	35,000
Repayment of long-term debt		(9,605)	(13,754)
Increase in capital stock		118,060	4,605
Dividends paid			
by the Company		(4,243)	(4,109)
by a joint venture		(477)	-
		215,833	20,576
Increase (decrease) in cash		6,063	(23,505)
Cash position - beginning of year		1,959	25,464
Cash position - end of year		\$ 8,022	\$ 1,959
Cash flow from operations per share			
- Basic		\$ 2.06	\$ 2.05
- Fully diluted		\$ 1.99	\$ 1.98
Interest and income taxes paid			
Interest paid		\$ 2,534	\$ 1,511
Income taxes paid		11,548	12,719
		\$ 14,082	\$ 14,230

Cash is defined as cash and short-term investments with original maturity terms of less than 90 days.

See accompanying notes

Notes to consolidated financial statements

August 31, 1999 and 1998

1. ACCOUNTING POLICIES

a) Basis of Consolidation:

The consolidated financial statements include the accounts of Astral Communications Inc. and its subsidiaries. Significant subsidiaries are as follows:

	Percentage Owned	
	<u>1999</u>	<u>1998</u>
Astral Television Networks Inc. (formerly TMN Networks Inc.)	100	100
Les Chaînes Télé Astral inc. (formerly Les Réseaux Premier Choix inc.) (note 2c)	100	100
AstralTech Inc.	100	100
Groupe Covitec inc. (note 2b)	63.15	-

The Company accounts for its 50% interest in The Family Channel Inc. ("Family Channel"), its 50.1% interest in Viewer's Choice Canada Inc. ("Viewer's Choice"), its 20.04% interest in Canal Indigo, its 20.0% interest in TELETOON Canada Inc. ("TELETOON") and its 51% interest in Artech Digital Entertainments Inc. ("Artech") on a proportionate consolidation basis.

On July 7, 1999, the Company acquired the 75.55% of the outstanding shares of Radiomutuel Inc. ("Radiomutuel") which it did not previously own, subject to the Canadian Radio-television and Telecommunications Commission's ("CRTC") approval. Until such approval is obtained, the Company will continue to account for this investment on an equity accounting basis (note 2a). The Company also accounts for its 14.95% interest in The Comedy Network Inc. ("Comedy Network") on an equity accounting basis.

b) Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

d) Program and Film Rights:

Program Exhibition Rights:

Program exhibition rights are purchased on a fixed or variable cost basis. The liability for fixed cost purchases is recognized at the time the purchase is committed and is classified as either a current or non-current asset based on the availability period. The related liability is classified as either current or non-current based on contract payment terms. The cost of fixed program exhibition rights is expensed over the lesser of the availability period and a maximum period which varies depending upon the type of program. Rights acquired on a variable cost basis are not capitalized since their cost will be determined on the basis of the future number of subscribers.

Investments in Programs:

Investments in programs are carried at the lower of cost and estimated future revenues.

e) Fixed Assets:

Fixed assets are recorded at the lower of cost less accumulated depreciation, and net recoverable amount. Depreciation and amortization are provided for on a straight-line basis over the estimated useful lives of the fixed assets which are as follows:

Buildings	25 years
Machinery and equipment	5 to 10 years
Computer and office equipment	2 to 10 years
Furniture and fixtures	5 to 10 years
Leasehold improvements	5 to 20 years

1. ACCOUNTING POLICIES (CONTINUED)

f) Broadcast Licences:

Broadcast licences are recorded at cost. The Company amortizes the cost of these assets on a straight-line basis over 40 years. On an ongoing basis, management compares the carrying value of the asset with estimated future cash flows and residual values. Should there be a decline in the estimated future cash flows and residual values of the broadcast licences below their carrying value, broadcast licences would be written down to their estimated recoverable value.

g) Goodwill:

Goodwill represents the excess of the cost of subsidiaries and joint ventures over the fair value of identifiable net assets acquired. Goodwill is amortized on a straight-line basis over periods of 20 or 40 years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events or circumstances which might have impaired the fair value. Should there be a permanent decline in the value of the goodwill below its carrying value, the goodwill would be written down to its estimated value.

h) Other Assets:

Other assets include long-term deferred charges, receivables, a deferred pension asset and employee loans. Deferred charges include network licence application and development costs. These costs are amortized over the term of the licences.

i) Income Taxes:

The Company's provision for income taxes is based primarily on reported earnings before income taxes and includes an appropriate provision for deferred income taxes resulting from timing differences. Timing differences result from items whose amounts recorded for accounting purposes do not coincide with those recorded for income tax purposes, and consist principally of depreciation and amortization.

j) Per Share Calculations:

Basic earnings and cash flow per share are calculated using the weighted average number of shares outstanding. Fully diluted earnings and cash flow per share are calculated using the weighted average number of shares that would have been outstanding had all the shares to be issued and the outstanding stock options been issued and exercised at the beginning of the year.

k) Non-Cash Operating Items:

Non-cash operating items include the following assets and liabilities: accounts receivable, inventories, program and films rights, accounts payable and accrued liabilities, and program exhibition rights.

2. ACQUISITIONS

a) Acquisition of 75.55% of Outstanding Shares of Radiomutuel Inc.:

On July 7, 1999, the Company purchased the 75.55% of the outstanding shares of Radiomutuel which it did not previously own for \$224.1 million plus transaction costs of \$3.1 million. The transaction is subject to regulatory approval and therefore is accounted for on an equity basis. The Company financed the acquisition in part by way of a public offering of 5,000,000 of its own Class A non-voting shares for net proceeds of \$114.0 million. The balance of the purchase price was financed with bank debt (note 9).

(in thousands)

Identifiable assets	\$ 51,964
Broadcast licences and goodwill	226,204
	278,168
Liabilities assumed	50,950
Purchase consideration	\$227,218

b) Acquisition of 63.3% Interest in Groupe Covitec inc.:

On February 8, 1999, the Company acquired a 63.3% fully diluted interest in Groupe Covitec inc. in exchange for the net assets of the technical services division of the Company's AstralTech Inc. subsidiary. This acquisition is accounted for using the purchase method of accounting.

2. ACQUISITIONS (CONTINUED)

b) Acquisition of 63.3% Interest in Groupe Covitec inc. (continued):

(in thousands)

Identifiable assets acquired	\$18,578
Goodwill	4,324
	22,902
Liabilities assumed	9,482
Purchase consideration	\$13,420

c) Acquisition of 39.7% of Outstanding Shares of Les Réseaux Premier Choix inc.:

Effective December 9, 1997, the Company acquired the 39.7% of the shares of Les Réseaux Premier Choix inc. (now known as Les Chaînes Télé Astral inc.) held by minority shareholders for a cash consideration of \$62.4 million. This acquisition was accounted for using the purchase method of accounting.

(in thousands)

Assets acquired	
Current assets	\$18,565
Long-term assets	1,007
Broadcast licences	48,600
	68,172
Liabilities assumed	5,759
Purchase consideration	\$62,413

d) Acquisition of an Additional 16% Interest in Artech Digital Entertainments Inc.:

On July 30, 1998, the Company exercised its option to acquire an additional 16% interest in Artech.

(in thousands)

Assets acquired	
Net identifiable assets	\$ 662
Goodwill	763
Purchase consideration	\$1,425

The purchase consideration of \$1.4 million was paid through the issuance of 95,000 Class A Non-voting shares of the Company. This acquisition was accounted for using the purchase method of accounting.

3. PROGRAM AND FILM RIGHTS

(in thousands)

	<u>1999</u>	<u>1998</u>
Program exhibition rights	\$20,972	\$22,069
Investments in programs	4,703	4,203
	25,675	26,272
Less current portion	19,058	19,176
	\$ 6,617	\$ 7,096

4. INVESTMENTS

(in thousands)

	<u>1999</u>	<u>1998</u>
100% (1998 - 24.45%) investment in Radiomutuel	\$264,040	\$18,957
4.98% (1998 - 7.8%) investment in Motion International Inc. - at cost	5,358	7,041
14.95% investment in Comedy Network	198	1,253
	\$269,596	\$27,251

The \$264.0 million carrying value of the investment in Radiomutuel includes \$240.9 million of broadcast licences and goodwill net of amortization, which is recorded over 40 years. The amortization expense for the period was \$1.2 million (1998 - \$0.4 million).

The investment in Motion International Inc. (previously known as Coscient Group Inc.) has a quoted market value of \$4.6 million (1998 - \$5.9 million) as at August 31, 1999.

5. OTHER ASSETS

(in thousands)

	<u>1999</u>	<u>1998</u>
Deferred costs (net of accumulated amortization of \$3,630; 1998 - \$1,810)	\$5,002	\$5,086
Long-term receivable	2,659	2,524
Deferred pension asset	541	611
Employee loans	208	150
	\$8,410	\$8,371

Deferred costs comprise network licence application and development costs which are amortized over the term of the licences. The long-term receivable consists of the balance of the consideration recorded upon the sale of the Company's distribution and program development assets in fiscal 1997 which is due over 3 years (1998 - 4 years).

6. FIXED ASSETS

(in thousands)

	<u>1999</u>			<u>1998</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Buildings and land	\$ 2,654	\$ 1,323	\$ 1,331	\$ 2,595	\$ 1,191	\$ 1,404
Machinery and equipment	60,861	36,957	23,904	46,914	30,044	16,870
Computer and office equipment	21,364	8,946	12,418	12,375	8,091	4,284
Furniture and fixtures	6,978	4,740	2,238	3,928	2,695	1,233
Leasehold improvements	11,231	3,403	7,828	9,075	2,242	6,833
	\$103,088	\$55,369	\$47,719	\$74,887	\$44,263	\$30,624

7. BROADCAST LICENCES

As at August 31, 1999, the Company holds interests in 16 broadcast licences for the operation of pay, pay-per-view and specialty television services in Canada. The licences are granted by the CRTC and have terms expiring over the period of September 1, 1999 to August 31, 2005. Canal Famille has applied for renewal of its licence which expired on August 31, 1999 and has received an administrative renewal until February 29, 2000 when its application for renewal will have been reviewed by the CRTC. The Company anticipates receiving this renewal.

7. BROADCAST LICENCES (CONTINUED)

The changes in broadcast licences are summarized as follows:

(in thousands)

	<u>1999</u>	<u>1998</u>
Cost - beginning of year	\$135,706	\$ 87,106
Acquisition of shares of Les Chaînes Télé Astral inc. (note 2c)	-	48,600
Cost - end of year	135,706	135,706
Accumulated amortization	20,966	17,331
Unamortized cost	\$114,740	\$118,375

8. BANK INDEBTEDNESS

Bank indebtedness is payable on demand and bears interest at the banks' prime rate which at August 31, 1999 was 6.25% (1998 - 7.5%). The Company has operating credit facilities of \$78.4 million of which \$4.1 million is secured and of which \$6.4 million was used as at August 31, 1999.

9. LONG-TERM DEBT

(in thousands)

	<u>1999</u>	<u>1998</u>
Term loan bearing interest at prime, unsecured, repayable over the fiscal years 2001 to 2006 (see below)	\$125,000	\$21,250
Term loan at interest of prime plus 1.5%, collateralized by certain fixed assets and payable over the period ending in fiscal year 2002	2,120	-
Other loans and debt instruments bearing interest in a range from 0% to 16%, repayable over the period ending in fiscal year 2012	5,033	2,760
	132,153	24,010
Less current portion	1,743	7,179
	\$130,410	\$16,831

On July 14, 1999, the Company arranged a \$145 million seven-year term credit facility from a syndicate of Canadian financial institutions to partially finance the Company's acquisition of Radiomutuel (note 2a).

Principal payments on the Company's long-term debt are due in the following fiscal years:

2000	\$ 1,743
2001	3,875
2002	23,252
2003	21,941
2004	21,916
2005 and thereafter	59,426
	\$132,153

10. CAPITAL STOCK

a) Authorized:

32,500 5% non-cumulative special shares ("special shares"), entitled to ten votes each and convertible on the basis of two Class B shares for each special share.

An unlimited number of Class A non-voting shares ("Class A shares").

An unlimited number of Class B subordinate voting shares ("Class B shares"), entitled to one vote each and exchangeable for Class A shares on a one-for-one basis.

10. CAPITAL STOCK (CONTINUED)

In order to ensure compliance with Federal Government directions and Pay Television and Specialty Services Regulations and with the Broadcasting Act (the "Regulations"), the Company has imposed restrictions respecting the issuance, transfer and, if applicable, voting of the Company's shares. Pursuant to such restrictions, the Company can prohibit the issuance of shares or refuse to register the transfer of shares or, if applicable, prohibit the voting of shares in circumstances which would or could adversely affect the ability of the Company and its affiliates, pursuant to the provisions of the Regulations, to obtain, maintain, renew or amend any licence required to carry on any business of the Company and its affiliates, including a licence to carry on a broadcasting undertaking, or to comply with such provisions or with any such licence.

b) Issued:

(in thousands except number of shares)

	<u>1999</u>		<u>1998</u>	
	Number of Shares Outstanding	Value of Shares	Number of Shares Outstanding	Value of Shares
Special shares	32,500	\$ 325	32,500	\$ 325
Class A shares				
Beginning of year	12,326,975	124,465	11,757,236	117,834
Stock option plans	235,412	3,668	433,739	4,605
Share issuance	5,000,000	120,000	-	-
Share issuance costs net of deferred income tax	-	(3,636)	-	-
Issued for acquisition of Artech shares	-	-	135,000	2,025
Conversion of Class B shares	-	-	1,000	1
Employee share purchase plan	16,399	412	-	-
	17,578,786	244,909	12,326,975	124,465
Class B shares	1,638,761	3,205	1,638,761	3,205
		\$248,439		\$127,995

c) Employee Stock Options:

As at August 31, 1999, there are 764,385 (1998 - 610,170) employee stock options outstanding exercisable for Class A shares at prices ranging from \$10.07 to \$21.93. These options have an exercise price equal to the prevailing market price at the date of their grant and expire between February 19, 2002 to December 15, 2008.

11. PROVISION FOR INCOME TAXES

The Company's provision for income taxes is made up as follows:

(in thousands except income tax rates)

	<u>1999</u>	<u>1998</u>
Statutory income tax rate	39.8%	38.9%
Provision based on statutory rate applied to earnings before non-controlling interest	\$10,319	\$9,078
Increase (decrease) results from:		
Non-deductible amortization of broadcast licences and goodwill	1,645	1,397
Share of equity earnings	(909)	(543)
Other items	(308)	-
	\$10,747	\$9,932

The Company has a capital loss carry-forward of \$25.2 million, the tax benefit of which has not been recognized in the financial statements. This capital loss can be carried forward indefinitely.

12. CHANGES IN NON-CASH OPERATING ITEMS

The changes in non-cash operating items include the following:

(in thousands)

	<u>1999</u>	<u>1998</u>
Decrease (increase) in accounts receivable	\$ 12,155	\$(21,682)
Increase in inventory	(1,449)	(2,996)
Decrease (increase) in program and film rights	597	(1,336)
(Decrease) increase in accounts payable	(12,830)	26,346
Increase in program exhibition rights payable	2,635	3,996
	<u>\$ 1,108</u>	<u>\$ 4,328</u>

13. COMMITMENTS

The minimum amounts payable under long-term operating contracts are as follows:

(in thousands)

2000	\$14,139
2001	11,218
2002	10,247
2003	9,495
2004	5,225
2005 and thereafter	20,017
	<u>\$70,341</u>

14. EMPLOYEE RETIREMENT PLANS

The Company maintains a voluntary defined contribution plan and a non-contributory defined benefit plan. The plans provide pension benefits based on length of service and final average earnings of each member.

The status of the Company's employee retirement plans is as follows:

(in thousands)

	<u>1999</u>	<u>1998</u>
Pension fund assets	\$8,399	\$8,480
Actuarial present value of accrued pension benefits	9,227	8,904
Net pension deficit	<u>\$ (828)</u>	<u>\$ (424)</u>

The unamortized pension liability is amortized over the applicable expected average remaining service life of the employee group.

In addition to the above employee retirement plans, the Company established effective September 4, 1996, a Supplementary Executive Retirement Plan (the "SERP") to provide supplemental pension benefits to certain key executives. There is an actuarial liability of \$2.9 million for the SERP as at August 31, 1999 (1998 - \$1.9 million). The SERP will not be funded except in the case of change of control of the Company or to pay out benefits as required. The cost of the SERP is expensed over the expected average remaining service life of the participating executives.

15. BUSINESS SEGMENTS

The Company's business segments are Broadcasting, Video and Technical Services. Broadcasting consists of specialty, pay and pay-per-view television services. Video consists of the manufacturing, marketing and distribution of videocassettes. Technical Services includes film, sound, video and animation technical services for the film and television industry.

The Canadian Institute of Chartered Accountants has issued new recommendations relating to segment disclosures. The Company has made the necessary adjustments to reflect management's presentation of its various segments and has presented comparative information in accordance with the new requirements.

(in thousands of \$)

	<u>1999</u>			
	Broadcasting	Video	Technical Services	Consolidated
Revenues from operations	138,081	188,087	48,997	375,165
Intersegment revenues ⁽¹⁾	-	26	376	402
Interest revenue	227	2	353	582
Interest expense	(3)	(38)	(217)	(258)
Earnings before undernoted items	26,537	3,290	3,159 ⁽²⁾	32,986
Unallocated items:				
Share in equity earnings	-	-	-	2,283
Corporate costs	-	-	-	(7,407)
Interest revenue	-	-	-	175
Interest expense	-	-	-	(2,366)
Provision for income taxes	-	-	-	(10,747)
Net earnings	-	-	-	14,924
Identifiable assets	447,348	44,769	66,275	558,392
Fixed asset additions	5,175	6,268	3,408	14,851
Depreciation and amortization	8,552	2,960	5,098	16,610

(1) All intersegment revenues are eliminated at market value on consolidation.

(2) Net of non-controlling interest.

15. BUSINESS SEGMENTS (CONTINUED)

(in thousands of \$)

	1998			
	Broadcasting	Video	Technical Services	Consolidated
Revenues from operations	111,261	170,167	42,977	324,405
Intersegment revenues ⁽¹⁾	-	-	997	997
Interest revenue	419	50	7	476
Interest expense	(44)	-	-	(44)
Earnings before undernoted items	18,001 ⁽²⁾	7,626	4,204	29,831
Unallocated items:				
Share of equity earnings	-	-	-	1,396
Corporate costs	-	-	-	(7,208)
Interest revenue	-	-	-	83
Interest expense	-	-	-	(1,544)
Provision for income taxes	-	-	-	(9,932)
Net earnings	-	-	-	12,626
Identifiable assets	193,273	47,409	59,956	300,638
Capital asset additions	2,408	2,932	2,378	7,718
Depreciation and amortization	7,235	2,845	3,517	13,597

(1) All intersegment revenues are eliminated at market value on consolidation.

(2) Net of non-controlling interest.

16. CONTINGENT LIABILITIES

The Company is involved in various legal actions which are normal to the Company's businesses. In the opinion of the Company, potential liabilities which may result from these actions have been adequately provided for and are not expected to have a material adverse effect on the Company's financial position or its results.

The Company is contingently liable for the rental payments under the leases assumed by the purchaser of the Company's Photographic Division in September 1996 should the purchaser not be able to fulfill its obligations.

17. FINANCIAL INSTRUMENTS

a) Fair Values:

The estimated fair values of financial instruments as at August 31, 1999 and August 31, 1998 are based on the relevant market prices and information available at the time. The fair value estimates are not indicative of the amounts that the Company might receive or incur in actual market transactions.

Short-Term Financial Assets and Liabilities

The carrying amounts of short-term assets and liabilities are reasonable estimates of their fair values due to the short-term nature of these instruments. Short-term financial assets consist of cash and accounts receivable, while short-term financial liabilities consist of bank indebtedness, accounts payable and accrued liabilities, long-term debt due within one year and program exhibition rights.

Long-Term Debt

The fair value of the variable interest bearing loans approximate their carrying value. The fair value of the fixed interest bearing loans is approximately \$0.5 million less than their carrying value and is based on estimated future cash flows discounted using the current market rate for debt of the same remaining maturities, as advised by the Company's bankers.

Other

The carrying amounts of loans receivable and long-term program exhibition rights approximate their fair values.

b) Concentration of Credit Risk:

The Company operates in Canada. The Company performs ongoing credit evaluations of customers and generally does not require collateral. Allowances are maintained for potential credit losses.

As at August 31, 1999, one customer of the Video segment accounted for 21% (1998 - one customer at 15%) of consolidated revenues from operations, while one customer of the Broadcasting segment accounted for 11% (1998 - two customers at 30%) of consolidated revenues from operations. No customer accounted for more than 10% of the consolidated accounts receivable (1998 - two customers accounted for 31% of the consolidated accounts receivable). The Company believes that there is no unusual exposure associated with the collection of these receivables.

18. COMPARATIVE FIGURES

The Company has retroactively adopted the new Canadian Institute of Chartered Accountants Section 1540 *Cash Flow Statements*. The comparative cash flow statement for the year ended August 31, 1998 has been adjusted accordingly. Other amounts in the comparative financial statements have been reclassified from statements previously presented to conform with the presentation of the 1999 financial statements.

19. YEAR 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which interpret certain digits in "1999" as representing something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. Management has developed and implemented a plan designed to identify and address the possible effects of the Year 2000 issue on the Company. An assessment of the readiness of third parties such as customers, suppliers and others has been made, however, it is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Shareholders' information

	Class A Shares (non-voting)	Class B Shares (one vote each)
Listing	TSE	TSE
Symbol	ACM.A	ACM.B
Recent price ⁽¹⁾	\$27.00	\$30.00
High / Low last 12 months	\$29.00 / \$22.50	\$30.00 / \$24.00
Shares outstanding ⁽²⁾	17,578,786	1,638,761
Price / earnings ratio	27.0 x	30.00 x
Price / cash flow ratio	13.1 x	14.6 x
Price / book value ratio	1.7 x	1.9 x
Net earnings per share - basic	\$ 1.00	\$ 1.00
Cash flow per share - basic	\$ 2.06	\$ 2.06
Book value per share	\$15.58	\$15.58
Dividends per share last 12 months ⁽³⁾	\$ 0.30	\$ 0.30

(1) As at December 16, 1999.

(2) As at August 31, 1999. Does not include 32,500 special shares entitled to 10 votes each.

(3) The semi-annual dividend rate has been \$0.15 per share since August 3, 1992.

ASTRAL MEDIA
Executive Offices
2100, rue Sainte-Catherine O.
Bureau 1000
Montréal (Québec) H3H 2T3
Tel. : (514) 939-5000
Fax : (514) 939-1515
www.astral.com

ASTRAL BROADCASTING GROUP

EXECUTIVE OFFICES

2100, rue Sainte-Catherine O.
Bureau 1000
Montréal (Québec) H3H 2T3
Tel. : (514) 939-5000
Fax : (514) 939-1515

ASTRAL TELEVISION NETWORKS

ASTRAL TÉLÉ RÉSEAUX

BCE Place
181 Bay Street
Box 787, Suite 100
Toronto, Ontario M5J 2T3
Tel. : (416) 956-2010
Fax : (416) 956-2018

2100, rue Sainte-Catherine Ouest
Bureau 1000
Montréal (Québec) H3H 2T3
Tel. : (514) 939-5090
Fax : (514) 939-5098

TMN - The Movie Network

MOVIEPIX

Fax : (416) 956-2018
www.tmn.ca
www.mpix.ca

Viewer's Choice Canada

Fax : (416) 956-2055
www.viewerschoice.ca

Super Ecran

superecran@tele.astral.com

Canal Indigo

canalindigo@tele.astral.com

The Harold Greenberg Fund/

Le Fonds Harold Greenberg

Tel. : (416) 956-5431
Fax : (416) 956-2087
Tel. : (514) 939-5094
Fax : (514) 939-1515

LES CHAINES TÉLÉ ASTRAL

2100, rue Sainte-Catherine Ouest
Bureau 800
Montréal (Québec) H3H 2T3
Tel. : (514) 939-3150
Fax : (514) 939-3151

Canal Famille

Canal D

Historia

Séries+

Z

Canal Vie

www.servicevie.com

The Family Channel Inc.

Tel. : (416) 956-2030
Fax : (416) 956-2035
www.familychannel.ca

TELETOON

Tel. : (416) 956-2060
Fax : (416) 956-2070
www.teletoon.com
BCE Place
181 Bay Street
Box 787, Suite 200
Toronto, Ontario M5J 2T3

2100, rue Sainte-Catherine Ouest
Bureau 1000
Montréal (Québec) H3H 2T3
Tel. : (514) 939-5016
Fax : (514) 939-1515

MusiquePlus

MusiMax

355, rue Sainte-Catherine Ouest
Montréal (Québec) H3B 1A5
Tel. : (514) 284-7587
Fax : (514) 284-1889
www.musiqueplus.ca

Télé-Annonces

1200, rue Papineau
Bureau 260
Montréal (Québec) H2K 4R5
Tel. : (514) 526-1110
Fax : (514) 526-1354
www.teleannonces.com

TVPLUS MEDIA

1200, rue Papineau
Bureau 401
Montréal (Québec) H2K 4R5
Tel. : (514) 529-3290
Fax : (514) 529-3244

ASTRAL RADIO GROUP

EXECUTIVE OFFICES

2100, rue Sainte-Catherine Ouest
Bureau 1000
Montréal (Québec) H3H 2T3
Tel. : (514) 939-5000
Fax : (514) 939-1515

FM — Radio Énergie

1717, boul. René-Lévesque Est
Bureau 120
Montréal (Québec) H2L 4T9
Tel. : (514) 529-3229
Fax : (514) 529-9308
www.radioenergie.com

AM Division

2100, rue Sainte-Catherine Ouest
Bureau 1000
Montréal (Québec) H3H 2T3
Tel. : (514) 939-5000
Fax : (514) 939-1515

Radiomédia inc

1411, rue Peel
Bureau 300
Montréal (Québec) H3A 3L5
Tel. : (514) 845-5151
Fax : (514) 845-2229
www.ckac.com

Radio Plus

1717, boul. René-Lévesque Est
Bureau 60
Montréal (Québec) H2L 4E8
Tel. : (514) 529-3223
Fax : (514) 529-3232

OUTDOOR ADVERTISING

Omni Outdoor and Company

1717, boul. René-Lévesque Est
Bureau 460
Montréal (Québec) H2L 4T3
Tel. : (514) 529-6664
Fax : (514) 529-0644

TECHNICAL SERVICES GROUP

Covitec Group Inc.

Executive Offices
4, Westmount Square
Bureau 150
Westmount (Québec) H3Z 2S6
Tel. : (514) 933-2200
Fax : (514) 933-5693
www.covitec.com

ASTRAL VIDEO GROUP

AstralTech Video Duplication Centre

5555, rue Royalmount
Ville Mont-Royal (Québec)
H4P 1J3
Tel. : (514) 737-2777
Fax : (514) 737-1427

Astral Home Entertainment

889, Montée de Liesse
Ville Saint-Laurent (Québec)
H4T 1P5
Tel. : (514) 734-2500
Fax : (514) 734-2501

44-46 Dufflaw Road
North York, Ontario M6A 2W1
Tel. : (416) 785-5580
Fax : (416) 785-1219

NEW MEDIA

Artech Digital Entertainments Inc.

6 Hamilton Avenue
Suite 250
Ottawa, Ontario K1Y 4R1
Tel. : (613) 728-4880
Fax : (613) 728-4523

Corporate Information

Auditors

Ernst & Young LLP

Banks

Royal Bank of Canada
National Bank of Canada

Transfer Agent and Registrar

The Montreal Trust Company
Montréal

Exchange Listings

Toronto Stock Exchange
Symbols: ACM.A, ACM.B

Annual Meeting of

Shareholders

February 24, 2000
2:30 p.m.

Inter-Continental Hotel
360, rue St-Antoine Ouest
Montréal, Québec

Corporate Governance

In compliance with guidelines issued by The Toronto Stock Exchange, a summary of Astral's corporate governance practices is provided in the Management Proxy Circular.



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Annual report 1999

**TELE
ANNONCES**



FM DIVISION

CKMF-94.3	Montréal
CKTF-104.1	Gatineau/Hull
CIMO-106.1	Sherbrooke/Magog
CJMM-99.1	Rouyn-Noranda
CHIK-98.9	Québec
CIGB-102.3	Trois-Rivières
CJAB-94.5	Chicoutimi/Jonquière
CJMV-102.7	Val-d'Or

AM DIVISION

CJRC-1150	Ottawa/Hull
CKRS-590	Chicoutimi/Jonquière
CKSM-1220	Shawinigan



RADIO MÉDIA

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CHRC-80	Québec

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COVITEC GROUP

Technical Services

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ASTRAL Tech®

ASTRAL

Astral Home
Entertainment

Video

A vertical logo consisting of several thin, parallel white lines of varying heights, resembling a stylized barcode or a series of vertical bars.

Astral Communications Inc.